

Note about the FAM

The new GAO/PCIE Financial Audit Manual (FAM) (GAO-01-765G) supersedes the old GAO FAM. The following sections of the old GAO FAM are currently under revision and have not yet been included in the GAO/PCIE FAM.

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- .01 In many audits, the auditor uses the work and reports of other auditors and specialists. Other auditors include CPA firms, Inspectors General, state auditors, and internal audit functions. Specialists include actuaries and information systems auditors. The auditor should perform appropriate procedures to use the work of other auditors and specialists (the audit organization using the work of other auditors and specialists is referred to below as "the auditor"). This section provides guidance on using the work of other auditors and specialists and the nature and extent of procedures the auditor should perform.
- .02 Various professional standards provide guidance in this area. These standards include AU 543, "Part of Audit Performed by Other Independent Auditors"; AU 322, "The Auditor's Consideration of the Internal Audit Function in an Audit of Financial Statements"; AU 336, "Using the Work of a Specialist"; and AU 315 (SAS No. 84), "Communication Between Predecessor and Successor Auditors." These standards have different requirements depending on whether the other organization is an independent auditor, an internal auditor, or a specialist.
- .03 The auditor may use the work of other auditors and specialists in various situations, for example:
- audits by Inspectors General or CPA firms in accordance with Government Auditing Standards (GAGAS) and OMB Bulletin 93-06;
 - audits by Inspectors General or CPA firms in accordance with GAO's Financial Audit Manual (FAM), including an opinion on management's assertions about internal control;
 - CPA firms or specialists hired to do parts of an audit (for example, review information systems controls, review actuarial calculations, test specific accounts);
 - single audits or audits of federal funds performed by state auditors and CPA firms;
 - work performed by internal audit functions; and
 - internal audit staff who provide direct assistance to the auditor.

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- .04 AU 543.13 states: "In some circumstances the principal auditor may consider it appropriate to participate in discussions regarding the accounts with management personnel of the component whose financial statements are being audited by other auditors and/or to make supplemental tests of such accounts. The determination of the extent of additional procedures, if any, to be applied rests with the principal auditor alone in the exercise of his professional judgment and in no way constitutes a reflection on the adequacy of the other auditor's work. Because the principal auditor in this case assumes responsibility for his opinion on the financial statements on which he is reporting without making reference to the audit performed by the other auditor, his judgment must govern as to the extent of procedures to be undertaken."
- .05 The above paragraph makes clear that the principal auditor exercises considerable judgment in deciding what procedures are necessary to use the work of the other auditor. The principal auditor should consult and coordinate with the other auditor and interact with the other auditor in a professional, courteous manner. However, when there is a difference of opinion between the two organizations, the principal audit organization should perform the work and report the results based on its professional judgment.
- .06 FAM 650 provides guidance in making the judgments necessary to use the work of others. These judgments include:
- the type of reporting (see paragraph 650.07),
 - the auditor's evaluation of the other auditors' or specialists' independence and objectivity (see paragraphs 650.09-.20),
 - the auditor's evaluation of the other auditors' or specialists' qualifications (see paragraphs 650.21-.32), and
 - the auditor's determination of the level of review (see paragraphs 650.33-.36).

TYPES OF REPORTING

- .07 There are various types of reporting when using the work of other auditors and specialists. The type of reporting should be decided in planning the job and generally should be discussed with key report users and with the other auditors or specialists. Section 650 A contains examples of wording for two types of reporting. The types of reporting are as follows.

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- **No association with report**--In this situation, the other auditors' or specialists' report is provided directly to the auditee and/or to significant users. The auditor may use this method when there is no legal requirement for a separate report by the auditor, the user does not need a separate report from the auditor, and a separate report would provide no additional information.
- **Auditor transmittal letter**--This letter indicates that the auditor reviewed the other auditors' or specialists' workpapers and performed other procedures and states that the auditor found no violations of Government Auditing Standards (GAGAS); however, because the auditor did not perform an audit, the auditor does not express an opinion on the financial statements or on management's assertions about internal control. See example 1 of section 650 A for wording.¹ The auditor may use this approach when there is no legal requirement for the auditor to express an opinion but the auditor is required to issue a report or letter. The auditor may expand the letter to highlight certain findings or information or to indicate that certain procedures were performed. Since this letter names the other auditors and presents their report, the auditor, as a matter of professional courtesy and as indicated in AU 543.07, should tell the other auditors how their report will be used. For CPA firms, this generally should be done through the contracting process. The auditor also should provide the other auditors a draft of the transmittal letter.
- **The auditor issues a report that refers to other auditors' reports and indicates a division of responsibilities**--The auditor may use this approach when the other auditors have reported on financial statements for an entity that is part of the entity whose financial statements the auditor is reporting on and the auditor does not wish to take responsibility for the other auditors' work. See AU 543.09 for example wording. If the auditor wishes to name the other auditors or to present their report, the auditor, as a matter of professional courtesy and as indicated in AU 543.07, should tell the other auditors how their report will be used. For CPA firms, this generally should be done through the contracting process. The auditor also should provide the other auditors a draft of the report. This approach may be used only for CPA firms or

¹ In some cases, the auditor may issue a transmittal letter without reviewing the other auditors' workpapers. In these situations, the transmittal should be clear as to the limitations of the auditor's work.

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for other auditors who are organizationally independent (see paragraph 650.12); it may not be used for internal auditors or specialists. This approach also should not be used when the portion of the consolidated assets, liabilities, expenditures, revenues, or net position audited by the other auditor is "so large" that there would be a question as to who is the principal auditor (see AU 543.02). While the auditor should exercise judgment on this issue, "so large" usually means that more than 50 percent of the consolidated assets, liabilities, expenditures, revenues, or net position is audited by other auditors. If the portion of the consolidated assets, liabilities, expenditures, revenues, or net position audited by the other auditor is "so large," the auditor should do enough work to issue a report that does not mention the other auditors' work. (See below.)

- **The auditor issues a report that expresses concurrence with the other auditors' report and conclusions--**The auditor may use this approach when other auditors have reported on financial statements and the auditor needs or wants to provide more assurance than what is provided by the transmittal letter. This approach is appropriate and most likely to occur when the auditor has a statutory responsibility to audit and report on the financial statements but another auditor (such as a CPA firm under contract with the auditor) has performed the audit of the financial statements. See example 2 in section 650 A for report wording. This approach may be used only for CPA firms or for other auditors who are organizationally independent (see paragraph 650.12) . Since this report names the other auditors and presents their report, the auditor, as a matter of professional courtesy and as indicated in AU 543.07, should tell the other auditors how their report will be used. For CPA firms, this generally should be done through the contracting process. The auditor also should provide the other auditors a draft of the report. This report should not be used for specialists, since AU 336.15 prohibits reference to a specialist's report unless the auditor issues a qualified or adverse opinion or a disclaimer of opinion based on the specialist's work. This approach also should not be used for internal auditors. AU 322.19 notes that the responsibility to report on the financial statements rests with the auditor and cannot be shared with internal auditors.²

² There may be situations where the auditor is asked to provide a separate opinion in addition to presenting the other auditors' report. In these situations, the auditor should follow the wording in section 595 A and/or B and

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- **The auditor issues a report that does not mention the other auditors' or specialists' work**--In this situation, the auditor issues the report in section 595 A and/or B (as if no other auditors or specialists were involved). This means the auditor takes responsibility for the other auditors' or specialists' work. The auditor generally should use this approach where the other auditors have done part of the audit; the approach also may be used when the other auditors have done the entire audit. The auditor also should use this approach when using the work of specialists and internal auditors, since professional standards do not permit referring to specialists' or internal auditors' work (unless, for specialists, the auditor issues a qualified or adverse opinion or a disclaimer of opinion based on the specialist's work). GAO will use this approach in the audit of the consolidated financial statements of the United States.

.08 The following chart presents an overview of the work the auditor generally should perform for each type of report or letter. "Yes" means some of that category of work generally should be performed. "No" means that the category is generally not required for the report or letter. The extent of work in each category depends on the auditor's judgment. See paragraph 650.33 for discussion on level of review.

should add the following in lieu of the introduction to the first bullet on page 595 A-4:

"To help fulfill these responsibilities, we contracted with the independent certified public accounting firm of [insert firm name] to perform a financial statement audit in accordance with generally accepted government auditing standards, OMB's Bulletin, "Audit Requirements for Federal Financial Statements," and GAO's Financial Audit Manual. The report of [name of CPA firm] dated [date] is attached. We evaluated the nature, timing, and extent of the work, monitored progress throughout the audit, reviewed the workpapers of [name of CPA firm], met with partners and staff members of [name of firm], evaluated the key judgments, met with officials of [entity being audited], performed independent tests of the accounting records, and performed other procedures we deemed appropriate in the circumstances. Our opinions expressed above are consistent with the opinions of [name of CPA firm]. Thus, in this audit, we:" (continue with bulleted items).

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| Type of reporting | Evaluate the other auditors' independence and objectivity (paragraphs 650.09-.20) | Evaluate the other auditors' qualifications (paragraphs 650.21-.32) | Level of Review (paragraph 650.36) | Review work-papers (paragraph 650.37) | Perform supplemental tests (paragraphs 650.38-.42) |
|--|--|--|---|--|--|
| No association with report | No ³ | No | None | No | No |
| Auditor transmittal letter | Yes | Yes | Moderate or Low | Yes | No |
| Report refers to the other auditors' report and indicates a division of responsibilities | Yes | Yes | Moderate or Low | Yes | No |
| Report concurs with the other auditors' report or does not mention the other auditors' or specialists' work | Yes | Yes | High, Moderate or Low | Yes | Yes for internal auditors' work. Yes for auditors' work for high level of review; No for specialists' work and for moderate or low level of review |

³ If the auditor contracts with the other auditors, the contracting process generally will require the auditor to evaluate the other auditors' independence, objectivity, and qualifications and to monitor performance under the contract.

**EVALUATING THE OTHER AUDITORS' OR SPECIALISTS'
INDEPENDENCE AND OBJECTIVITY**

- .09 Unless the auditor has no association with the report, the auditor should evaluate the other auditors' or specialists' independence and objectivity. Where the auditor has previously used the work of the same other auditors, the auditor generally should update the previous evaluation. GAGAS 3.11 indicates that audit organizations and individual auditors should be free from personal and external impairments to independence, should be organizationally independent, and should maintain an independent attitude and appearance. The auditor should first evaluate organizational independence. Different standards apply to CPA firms, other organizationally independent auditors, internal auditors, and specialists.
- .10 For CPA firms and specialists, the contracting process is designed to select a firm that is independent and objective. The statement of work or request for proposal should ask the firms to represent that they are independent and objective with respect to the auditee and should request the firms to describe in their proposals work they have done for the auditee in the last several years. The technical evaluation panel should evaluate whether the nature and extent of this work or other factors cause an independence or objectivity issue.
- .11 If possible, the auditor should have a role in the hiring process. Where the auditor does not participate in hiring the CPA firm or specialist, the auditor generally should obtain an overview of the hiring process; this generally should include reading the statement of work or request for proposal and the proposal of the firm selected, and understanding the evaluations of the panel selecting the firm. The auditor should determine whether the firm provided a representation as to independence and objectivity (usually in its proposal). If the firm has not provided a representation as to independence and objectivity, the auditor should obtain a representation from the firm. If the auditor is not familiar with the firm, the auditor should inquire of professional organizations (such as the American Institute of Certified Public Accountants) as to the firm's professional reputation and standing.
- .12 For government auditors, the auditor should decide whether the other audit organization is organizationally independent or whether it should be considered an internal audit organization. The auditor may refer to the work of organizationally independent government auditors, but should not refer to the work of internal audit organizations in the audit report; generally more extensive review and supervision are necessary when

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dealing with internal auditors. The auditor should obtain written representations from the head of the government audit organization that to the best of his or her knowledge, the organization and the individual auditors doing the work are independent of the entity being audited. This means that the individual auditors are free of personal impairments to independence and maintain an independent attitude and appearance; it also means that the organization is free from external impairments and is organizationally independent (see GAGAS 3.11). The representation letter may indicate the general criteria for determining independence, such as "under the criteria in GAGAS." The representations should be for the period of the financial statements to the date of the other auditors' report. Since the decision on the independence and objectivity of the other auditors is needed to plan the auditor's work, the auditor generally should obtain oral representations early in the audit, with written representations at the end of the audit.⁴

- .13 There is a presumption that a government audit organization is organizationally independent if it meets ONE of the following criteria (see GAGAS 3.24 and 3.25):
- The head of the audit organization is appointed by the chief executive, but is confirmed by, reports the results of audits to, and is accountable to the legislative body (Presidentially appointed IGs meet this criterion).
 - The audit organization is auditing a level of government different from the level of the audit organization (for example, a federal auditor audits a state program; a state auditor audits a local program);
 - The audit organization is in a different branch of government from the organization being audited (for example, a legislative branch auditor audits an executive agency program);
 - The head of the audit organization is elected by the citizens; or
 - The head of the audit organization is elected or appointed by a legislative body and reports the results of audits to and is accountable to the legislative body.

⁴ Obtaining a representation from the head of the audit organization is similar to the procedure for CPA firms under AU 543.10b.

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- .14 If the other audit organization meets one of the above criteria, the auditor need not perform any procedures concerning organizational independence other than to obtain a representation letter from the head of the audit organization as noted in paragraph 650.12 (see paragraph 650.19 for tests of personal independence). However, if the auditor encounters evidence that the audit organization might not have sufficient organizational independence, the auditor should consider the need for inquiries and other procedures; the auditor should then evaluate the results of these procedures.
- .15 Some government audit organizations might not appear to meet any of the criteria in paragraph 650.13 but might still have sufficient organizational independence that the auditor may decide that they are organizationally independent. This decision should be made for each year's audit based on the current information about the specific audit. If the government audit organization meets ALL of the following criteria, the auditor may decide that it is organizationally independent:
- Statutory recognition--The audit organization is recognized by law and cannot as a practical matter be readily abolished by the agency without the direct or indirect concurrence of the legislative body;
 - Outside concurrence with appointment and removal of head of audit organization--The head of the audit organization is appointed and as a practical matter cannot be removed without the direct or indirect concurrence or knowledge of parties outside the agency;
 - Reporting to agency head--The head of the audit organization reports directly to the agency head;
 - Government Auditing Standards--The audit organization is required by law or regulation to follow GAGAS in performing the audits for which the auditor wants to use the other auditors' work; and
 - Accountability to the public--The audit organization's mission statement, objectives, overall annual audit strategy, and audit reports are readily available to the public (except for specific reports classified for security purposes or otherwise restricted by law or regulation).
- .16 If the auditor believes that the government audit organization meets all of the criteria in paragraph 650.15 and decides that it is organizationally independent, the audit team should obtain a representation letter from the

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head of the audit organization as noted in paragraph 650.12 and should perform inquiry and walkthrough procedures to support this conclusion.

- .17 If the auditor decides that the government audit organization is not organizationally independent, the auditor should determine whether the other auditor qualifies as an internal auditor. Although internal auditors are not independent of the entity, the Institute of Internal Auditors' (IIA) Standards for the Professional Practice of Internal Auditing defines internal auditing as an independent appraisal function within an organization to examine and evaluate its activities as a service to the organization. GAGAS 3.19 to 3.22 contains guidance on independence for internal auditors. For example, internal auditors should be outside the staff or line management function of the unit under audit. They should report their results and be accountable to the head or deputy of their agency. IIA standards require internal auditors to be independent of the activities they audit. This concept of independence is different from independence under the AICPA Code of Professional Conduct or independence for external auditors under GAGAS. The auditor generally should determine whether the internal auditors whose work is to be used are independent of the activities they audit. The auditor also should consider the organizational status of the audit organization director, including:
- whether the director reports to a person of sufficient status so that there is broad audit coverage and adequate consideration and action taken on findings and recommendations;
 - whether the director has access to and reports regularly to the agency head (or deputy), the board of directors, the audit committee, or similar body; and
 - whether the board, the audit committee, or the agency head (or deputy) oversees employment decisions related to the director.
- .18 If the auditor concludes that the internal auditors are not independent under GAGAS and IIA standards, the auditor should treat the work as if it were prepared by the auditee. If the auditor concludes that the internal auditors are independent under GAGAS and IIA standards, the auditor may use their work to the extent permitted by AU 322. In either case, the auditor may not refer to or concur with the work of internal auditors.
- .19 In addition to evaluating the other auditors' organizational independence, the auditor should evaluate whether the audit team has any personal

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impairments. For both internal auditors and organizationally independent government audit organizations, the auditor generally should ask how the other auditors monitor the personal independence of individual staff members, especially those doing the work the auditor would like to use.

- .20 For all types of government auditors, the auditor should prepare a memorandum documenting the work performed and the conclusions reached as to independence and objectivity. The documentation should indicate the auditor's conclusion as to whether the other auditor is independent and objective and the basis for that conclusion (including the paragraph in FAM 650 under which they are independent and the results of any procedures performed). This memorandum should be approved by the issue area director and the Director of Planning and Reporting or designee. The auditor should consult with the Director of Planning and Reporting or designee if there are questions about the other auditors' independence or objectivity before discussing the issue with the other auditor.

EVALUATING THE OTHER AUDITORS' OR SPECIALISTS' QUALIFICATIONS

- .21 After evaluating the other auditors' or specialists' independence and objectivity, the auditor should evaluate the other auditors' or specialists' qualifications to perform the specific tasks required. This involves evaluating the qualifications of the firm or audit organization and evaluating the qualifications of the specific audit team. Where the auditor has previously used the work of the same other auditors, the auditor generally should update the previous evaluation.
- .22 For CPA firms and specialists, qualifications are generally evaluated through the contracting process. The firm submits resumes for the audit team and demonstrates why its team is qualified to do the work. CPA firms should be asked to submit their latest peer review report, letter of comments, and response to the peer review report. The firm generally submits its plan for doing the work. The purpose of the technical evaluation panel is to select a qualified firm.
- .23 Where the auditor did not participate in the hiring process, the auditor should consider how the qualifications of the firm were evaluated. For example, did the evaluation panel review resumes of the team; review the audit approach; and read the peer review report, the related letter of

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comments, and the firm's response to the peer review report? The auditor should read these documents and reach a conclusion as to qualifications.

- .24 GAO has a master contract with five CPA firms: Arthur Andersen, Coopers & Lybrand, Ernst & Young, KPMG Peat Marwick, and Price Waterhouse. In the process of setting up the master contract, GAO reviewed the peer review report, letter of comments, and response to the peer review report. In addition, GAO has worked extensively with these firms. Therefore, it is not necessary to review the peer review report, letter of comments, and response to the peer review report for these firms. The auditor generally should review the proposal to be satisfied the team is qualified and has an appropriate plan for doing the work.
- .25 For auditors other than CPA firms, the auditor should ask whether the audit organization had a peer review and the date of that review. OIGs have peer reviews performed every 3 years by other OIGs. Many state auditors also have peer reviews every 3 years. The Institute of Internal Auditors conducts Quality Assurance Reviews (peer reviews) of internal audit organizations on a voluntary basis. The auditor should read the peer review report, the letter of comments, and the audit organization's response. Where the audit organization has received an unqualified peer review report recently (usually less than 1 year ago), further review of the audit organization's qualifications is generally not required.
- .26 Where the peer review report is not recent, the auditor also should review the results of the audit organization's internal inspection program. If the peer review is not recent, the inspection is important in highlighting new quality control issues. The inspection generally should include reviews of workpapers, interviews of staff members, and tests of functional areas. Where the inspection is recent (usually within the past year) and the inspection report is unqualified, further review of the audit organization's qualifications is generally not required.
- .27 Where the peer review or inspection report is qualified or adverse, the auditor should evaluate whether the quality control system has since been strengthened to allow the auditor to use the other auditors' work. The auditor may review the organization's action plan for improving quality controls. Inspection results are helpful in determining whether quality controls have improved since the peer review. The auditor should consider the effect of the remaining weaknesses in determining the nature and extent of procedures the auditor will perform.

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- .28 Where the peer review is not recent and there is no inspection program, the auditor generally should obtain an overview of the important policies and procedures in the functional areas:
- independence, integrity, and objectivity (see above);
 - personnel management (includes recruiting and hiring, advancement, professional development and training, and assigning personnel to assignments);
 - audit performance (includes supervision and consultation);
 - acceptance and continuance of assignments; and
 - monitoring (inspection) programs.
- .29 This information usually is obtained through interviews of the audit organization's management and staff and through reading the audit organization's quality control summary document, if one has been written (see section 1201 for GAO's document). The auditor also may read the organization's manuals and other guidance for conducting audits.
- .30 In addition to evaluating the audit organization's qualifications, the auditor also should evaluate the overall qualifications of the other auditors' team assigned to do the work. This may be done by reviewing resumes of key team members. The auditor should consider the specific education, training, certifications, and experience of key team members. In evaluating qualifications, the auditor should consider the specific role of staff members on the job. Where the auditor has knowledge of qualifications from prior experience with key team members, the auditor should update that knowledge.
- .31 Where the auditor is not fully satisfied as to the other auditors' qualifications, the auditor generally should perform a more detailed review of the workpapers and/or perform supplemental tests of key line items (see paragraph 650.33). The auditor also may help the other auditors improve future audits.
- .32 If the auditor has significant concerns about the other auditors' independence, objectivity, or qualifications, the auditor should revise the audit approach. For example, the auditor may:
- contract with another firm,
 - ask the other auditors to substitute more highly qualified or objective staff members,

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- do the audit without using the other auditors' work, treating any work done by the other auditors as prepared by the auditee,
- divide the work so that the other auditors test the areas where they are qualified, and the auditor does the rest of the audit, or
- issue a disclaimer of opinion.

PLANNING THE REVIEW AND TESTING OF THE OTHER AUDITORS' OR SPECIALISTS' WORK

- .33 After evaluating the other auditors' or specialists' independence, objectivity, and qualifications, the auditor should develop a written plan for reviewing and, if necessary, testing the work done. This plan documents the level of review the auditor believes necessary. The level of review is either high, moderate, or low. The plan should be reconsidered as the work progresses. The level of review is a judgment the auditor makes; this judgment generally should be made for each material line item and should consider the following factors:
- a. The type of report or letter the auditor will issue (see paragraph 650.08) (less review is needed for a transmittal letter than for reports where the auditor takes responsibility for the other auditors' work).
 - b. Whether the other auditor issues a disclaimer of opinion because of a scope limitation (less work is needed to concur with a scope limitation than to concur with an unqualified opinion -- see paragraph 650.34).
 - c. Whether the auditor's report will contain a disclaimer because of a scope limitation (less work is needed if the auditor's report will contain a scope limitation -- see paragraph 650.35).
 - d. The other auditors' independence, objectivity, and integrity (both for the audit team and for the other audit organization) including whether the other audit organization is an independent auditor or an internal auditor (the level of review increases as independence, objectivity, and integrity decreases).
 - e. The other auditors' qualifications to perform the work the auditor wishes to use (both for the audit team and for the other audit organization) (the level of review increases as the other auditors' qualifications decrease).

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- f. The auditors' prior experience with the other auditors (both for the audit team and for the other audit organization) (the level of review decreases as the auditor has favorable experience in working with the other auditors).
 - g. The materiality of the line item in relation to the financial statements the auditor is reporting on, taken as a whole (the level of review increases as the line item becomes more material).
 - h. The combined risk (combination of inherent risk and control risk) and the risk of material fraud for the line item and assertion in the financial statements the other auditor is auditing (the level of review increases as the combined risk and the risk of material fraud increase).
- .34 A scope limitation on the other auditors' work generally has a major effect on the level of review. If the other auditor disclaims an opinion on the financial statements because of a scope limitation, the auditor should issue a disclaimer of opinion (unless the financial statements the other auditor audited are not material to the financial statements the auditor is auditing). It will not take much review to be satisfied that the disclaimer is appropriate. Supplemental tests are not required in this situation, and the review of workpapers may be limited to summary workpapers. Thus, the level of review is usually low. However, the auditor may decide to do additional work to learn about the entity, to help the other auditor plan future audits, or to help management correct the causes of the scope limitation.
- .35 A scope limitation on the auditor's work also affects the level of review. Since the auditor has already decided that not enough work can be done on the overall financial statements, no amount of review of the other auditors' work is likely to change that conclusion. Thus as in the situation above, supplemental tests are not required, the review of the other auditors' workpapers may be limited to summary workpapers, and, the level of review is usually low. However, the auditor may decide to do additional work to learn about the entity, to help the other auditor plan future audits, or to help management correct the causes of the scope limitation.
- .36 The following chart illustrates the work that generally should be performed for each level of review for each significant line item.

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| Level of Review | Steps at the Entity Level | Nature and extent of work for significant line items |
|------------------|--|--|
| Low ⁵ | <ul style="list-style-type: none"> •Communicate with the other auditors or specialists as to the objectives of the work. •Review General Risk Analysis (or audit plan) and scope of work. •Review audit summary memorandum, completion checklist, summary of unadjusted misstatements, analytical procedures (or similar items for specialists). •Read the other auditors' report, the financial statements, the notes, the other accompanying information, and management's response. | <ul style="list-style-type: none"> • Review audit program for the line item. •Review conclusions about significant issues and their resolution, and conclusions about line items . |

⁵ In some situations, the auditor may decide less review or no review is necessary. These situations typically involve entities or line items that are very small in relation to the financial statements taken as a whole. In these situations the auditor may decide to read the other auditors' report and the financial statements and ask questions if anything seems unusual.

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| Level of Review | Steps at the Entity Level | Nature and extent of work for significant line items |
|-----------------|--|---|
| Moderate | <ul style="list-style-type: none"> •Perform same steps under "Low" plus the following: •Visit the other auditors or specialists and discuss their procedures and the results. •Attend key entrance and exit meetings. •Review the determination of planning materiality and design materiality. •Have an information systems auditor review the information resource management background information and the workpapers for review of general and application controls. •Review representation letters, other auditors' or specialists' key workpapers at the entity level (see paragraph 650.37). | <ul style="list-style-type: none"> •Perform same steps under "Low" plus the following: • Review account risk analysis, specific control evaluation, cycle memorandum, flowcharts, the determination of test materiality, and the audit program. •Review other auditors' or specialists' key workpapers for the line item (see paragraph 650.37). |

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| Level of Review | Steps at the Entity Level | Nature and extent of work for significant line items |
|-------------------|---|---|
| High ⁶ | <ul style="list-style-type: none"> •Perform same steps under "Moderate" plus the following: •Coordinate or concur in significant planning decisions before major work is started. | <ul style="list-style-type: none"> •Perform same steps under "Moderate" plus the following: •Perform supplemental tests; compare conclusions (see paragraph 650.38). •Attend key meetings (especially those relating to estimates and judgments). •Discuss key items with auditee management, especially significant estimates and judgments. •Review other auditors' or specialists' workpapers for the line item (see paragraph 650.37). |

REVIEW OF WORKPAPERS

- .37 The extent of the auditor's review of the other auditors' or specialists' workpapers depends on the level of review and is a judgment based on the factors in paragraph 650.33. For the low level of review, the review of workpapers may be limited to key summary planning and completion workpapers. For the moderate level, the auditor generally should review more of the other auditors' or specialists' workpapers, especially those evidencing important decisions. For financial statement audits, these include the General Risk Analysis (GRA) or audit plan; the Account Risk Analysis (ARA) (or similar documentation) for significant accounts; the Specific Control Evaluations (SCE) (or similar documentation) for significant applications; the workpapers for high-risk accounts, estimates, and judgments; the analytical procedures; the audit completion checklist (or equivalent documentation); the audit summary memorandum; and the

⁶ Some situations may require significantly more work than the work shown for the high level. In those situations the auditor generally should perform significant supplemental tests; in some cases, the audit may be a joint audit.

summary of possible adjustments. For the high level of review, the auditor generally should review all of the items for the moderate level of review plus the important detail workpapers.

**SUPPLEMENTAL TESTS AND OTHER ADDITIONAL STEPS WHERE
LEVEL OF REVIEW IS HIGH**

- .38 Where the level of review is high, the auditor generally should perform procedures in addition to reviewing workpapers. The auditor generally should discuss key items with auditee management, especially estimates and judgments; this discussion generally should be with the other auditors present. The auditor generally should attend the entrance and exit conferences and other key meetings held by other auditors or specialists.
- .39 Where the level of review is high, the auditor also generally should perform supplemental tests of the accounting records. These tests may be a selection of the other auditors' work or additional tests of the accounting records or both. To perform supplemental tests, the auditor should have access to the entity's personnel and their books and records. The auditor may coordinate access to the entity's personnel and records through the other auditor. The auditor and the other auditor also may jointly perform parts of a test, where the sample is planned jointly and the results are evaluated jointly. Although supplemental tests are usually performed only when the level of review is high, the auditor may decide to perform supplemental tests in other situations to learn about the entity, to help the other auditor plan future audits, or to help management correct problems.
- .40 Where the other auditor is an internal auditor, there is even more need for supplemental tests and supervision of the work. Accordingly, for internal auditors, supplemental tests generally should be of greater scope and generally should be done for material accounts.
- .41 The auditor generally should limit supplemental tests to line items that are both high combined risk and material to the financial statements the auditor is reporting on, especially in areas involving estimates and judgments or that users rely on extensively. The auditor's supplemental tests generally should include some items that the other auditor tested which appear to be exceptions to determine whether they were appropriately considered in formulating an opinion. The auditor should consider performing supplemental tests while the other auditors are at the auditee location and have access to records; this should minimize the inconvenience to the auditee.

- .42 It is not necessary to perform supplemental tests of the work of specialists. As indicated in AU 336.12, the auditor should understand the methods and assumptions used by the specialists, test the data provided to the specialists (extent of testing is based on risk and materiality), and evaluate whether the specialists' findings support the financial statement assertions. If the auditor believes the findings are unreasonable, the auditor should apply additional procedures and/or consider the need to obtain another specialist.

SUBSEQUENT EVENTS REVIEW AND DATING OF THE AUDITOR'S REPORT

- .43 The auditor's report should be dated when the auditor completes field work. If the other auditors' or specialists' report is dated earlier and the auditor's report does not mention the other auditors' report or concurs with the other auditors' report (example 2 of section 650 A), the subsequent events review should be updated to the date of the auditor's report. The auditor may ask the other auditors to update the subsequent events work to the required date, or the auditor may update the subsequent events review. Since this requires additional work, the auditor should attempt to complete field work when the other auditors complete field work. This issue should be considered in planning. It is not necessary to update the subsequent events review when the auditor issues a transmittal letter (example 1 of section 650 A).

STAFFING THE REVIEW OF THE OTHER AUDITORS' OR SPECIALISTS' WORK

- .44 When staffing the review, the auditor should consider that the other auditors or specialists may already have reviewed the work at several levels. The auditor's staff reviewing the work generally should have enough experience in financial statement auditing to understand the judgments that need to be made and to interact with the higher levels of the other audit organization. Most of the review generally should be done by or under the direction of an assistant director or a senior Band II (or similar levels in other organizations) who have significant experience in performing and reviewing financial statement audit work. Supplemental tests may be done by Band I or Band II staff members and supervised by an assistant director or a senior Band II. Primary review of the senior Band II's or assistant director's workpapers should be performed by the issue area director or an assistant director designated by the director. However, the

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assistant director or senior Band II should review the workpapers documenting supplemental tests performed by the Band I or Band II staff members. Because of the high level of financial statement auditing experience of staff members doing and reviewing this work, secondary review need be performed only in very high risk situations.

- .45 When the other auditors' work involves the review of computer controls, the auditor's review generally should be done by an information systems auditor in a management role. An audit assistant director should review the information systems auditor's workpapers to determine that related audit objectives were achieved.

EVALUATING THE WORK

- .46 After the auditor has completed the review of the other auditors' work, and, if necessary, the supplemental testing, the auditor should determine whether the work is sufficient and acceptable for the auditors' use. The auditor should summarize the evaluation in the audit summary memorandum.
- .47 Sometimes, the other auditors use methodologies or audit approaches that are different from those the auditor would have used. The auditor should recognize that auditing requires a great deal of professional judgment and that there often are alternative ways to achieve audit objectives. Thus, the auditor should first understand the basis for the nature, timing, and extent of the other auditors' procedures. The auditor should evaluate whether sufficient evidence has been obtained to meet the auditor's objectives; usually the auditor should consider materiality and combined risk for the particular line item in this evaluation. If the auditor has concerns about whether the other auditors' work provides sufficient evidence, the auditor should discuss the matter with the issue area director and the Director of Planning and Reporting or designee before formally discussing the issue with the other auditors.
- .48 The auditor should consider the significance of the test results to the audit of the financial statements the auditor is reporting on. As an example, the other auditors might have selected a nonstatistical sample and/or the sample size might be smaller than the sample size the auditor would have selected. The auditor might decide that this provides sufficient evidence in an area that is less material or is not risky. However, if the area is material or risk is high, the auditor might conclude that sufficient evidence has not been obtained and that additional work is needed. In this case,

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after consulting with the issue area director and the Director of Planning and Reporting or designee, the auditor generally should either ask the other auditors to perform additional tests or should perform the additional tests; if the additional testing is not done, the auditor should consider the effect of this scope limitation on the auditor's report. Since reaching this conclusion after the work is performed is inefficient, when the level of review is high, the auditor generally should coordinate or concur with major planning decisions before the work is started.

DOCUMENTING THE REVIEW OF OTHER AUDITORS' OR SPECIALISTS' WORK

- .49 Regardless of the type of reporting or the level of review, the auditor's workpapers should contain the following:
- an audit plan describing in general terms the work to be done, including the level of review for each line item, and the basis for the planned work,
 - a tailored audit program spelling out the nature, timing, and extent of the auditor's work; section 650 B contains an example audit program that may be tailored to specific situations,
 - memoranda documenting the conclusions reached at key meetings the auditor attends,
 - the results of the review of workpapers,
 - the audit completion checklist (if the other auditors do not prepare an audit completion checklist or similar document, the auditor should prepare one) (this is not required for specialists), and
 - a summary memo for the auditor's work.
- .50 In addition, where the auditor performs supplemental tests of the accounting records, the auditor's workpapers should contain a description of the work (this may be a list of the documents the auditor examined or tick marks on a copy of the other auditors' workpapers if that is the basis for the selection) and the auditor's conclusion. It is not necessary to retain copies of the documents examined.

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- .51 It is important to distinguish between the auditor's responsibilities to review the workpapers of other auditors versus what the auditor might copy and retain from those workpapers. The auditor should use judgment in deciding which of the other auditors' or specialists' workpapers to copy and retain. Copies of documents readily available from the other auditors or the auditee (such as invoices and contracts) need not be retained. The auditor generally should retain:
- the other auditors' report and management letter,
 - the final financial statements and notes,
 - unadjusted misstatements (known and likely), the other auditors' estimate of the imprecision of audit procedures, and comparison with materiality,
 - workpapers evidencing significant judgments and conclusions,
 - the audit summary memorandum, and
 - the audit completion checklist.
- .52 The auditor may decide to retain other workpapers if they might be useful in understanding the entity, training staff members, planning future audits, reviewing the workpapers, or writing the report. Workpapers in this category include the entity profile (or similar document), the general risk analysis or audit plan, the audit programs, the ARA and SCE forms (or similar documents), the trial balance or lead schedules, the management representation letter, and the attorney representation letter. Auditors often find it helpful to keep copies of documents in case questions are raised in review, but not to include those copies in the workpapers unless they are needed to document the work performed. Documents should not be retained if they are no longer needed. The audit plan or audit program may indicate which documents to retain.

USING INTERNAL AUDIT STAFF TO PROVIDE DIRECT ASSISTANCE TO THE AUDITOR

- .53 Sometimes the auditor or the auditee requests that internal auditors provide direct assistance to the auditor. Before this is done, the auditor should be satisfied with the independence, objectivity, and qualifications of the staff assigned to do the work requested. AU 322.27 indicates that in these situations "the auditor should inform the internal auditors of their responsibilities, the objectives of the procedures they are to perform, and matters that may affect the nature, timing, and extent of procedures.... The auditor should also inform the internal auditors that all significant accounting and auditing issues identified during the audit should be

brought to the auditor's attention." The auditor should direct, review, test, and evaluate the work done by internal auditors to the extent appropriate based on the auditor's evaluation of risk, materiality, objectivity, and qualifications.

USING AGENCY SPECIALISTS

- .54 Many agencies have actuaries, security specialists, statistical specialists, and other specialists whose work the auditor would like to use. Unless these specialists are part of an organization that is organizationally independent or under contract to such an organization, the auditor should evaluate their work as the work of any auditee employee. The auditor generally should use specialists in the audit organization or contract for outside specialists to develop and implement appropriate tests.

MULTIPLE LEVELS OF OTHER AUDITORS

- .55 Sometimes there are several levels of other auditors. For example, an OIG might use the work of an internal audit group. GAO may then use the work of the OIG. As another example, the OIG might hire a CPA firm to do an audit. The OIG may issue a report concurring with the CPA's report or a letter transmitting the CPA's report; GAO may then use the work of the OIG. As a third example, the OIG might use a single auditor's report done by a CPA firm or a state auditor.
- .56 In these situations, each audit organization should follow the guidance in section 650, which summarizes the guidance in the auditing standards. In these examples, the OIG should evaluate the independence (see paragraphs 650.09-.20) and qualifications of the other auditors (see paragraphs 650.21-.33), should review the workpapers (see paragraph 650.37), and may need to perform supplemental tests of key accounts (see paragraphs 650.38-.42) (depending on the level of review deemed appropriate). In the first example in paragraph 650.55, the OIG should not refer to the internal audit work in its report. In all three examples, GAO should evaluate the qualifications of the OIG organization (by reading the peer review report, the letter of comments, and the audit organization's response as described in paragraph 650.25) and the team doing the monitoring, should review the OIG's workpapers, and may perform supplemental tests. In this example, where GAO finds that the OIG has done and documented adequate work including supplemental tests, GAO's supplemental tests would be quite limited--perhaps a walkthrough of work done in high-risk and material areas. Often, GAO may attend fewer meetings than the OIG staff attends and

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would concentrate the review on the OIG's workpapers. GAO may then issue a report on the financial statements.

- .57 Because of the potential for inefficiency, there should be close coordination between the various auditors. The OIG and GAO may perform the review jointly. Sometimes, a memorandum of understanding might be useful in documenting responsibilities. A chart that describes the review to be done by each organization may be useful. The following is a useful format for this chart (with more detail added as necessary under each phase):

| Phase | Other Auditor Procedures | OIG Review Procedures | GAO Review Procedures |
|------------------|--------------------------|-----------------------|-----------------------|
| Planning | | | |
| Internal Control | | | |
| Testing | | | |
| Reporting | | | |
| | | | |

REPORTS ON OTHER AUDITORS' WORK

- .58 Auditors are sometimes asked to issue a report evaluating work done by other auditors in a situation where the auditor is not using the work of the other auditors. For example, GAO might be asked to evaluate an audit done by a CPA firm or OIG. While AU 543, 322 and 336 are not directed towards these situations, the guidance in FAM 650 is helpful in planning and reporting on these assignments.
- .59 The auditors generally should issue a report concurring with the other auditors' conclusions only when the auditors have performed enough work at the high level of review (see FAM 650 A example 2). Where the auditors' work is limited to review of workpapers, the report generally should state that the auditors found no instances where the other auditor did not comply, in all material respects, with GAGAS (similar to Example 1 in FAM 650 A).

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650 A - EXAMPLE REPORTS WHEN USING THE WORK OF OTHERS

EXAMPLE 1 -- TRANSMITTAL LETTER

We contracted with the independent certified public accounting firm of [name of firm] to audit the financial statements of [name of entity] as of [date] and for the year then ended. The contract required that the audit be done in accordance with generally accepted government auditing standards, OMB's Bulletin, "Audit Requirements for Federal Financial Statements," and GAO's Financial Audit Manual.

In its audit of [name of entity], [name of CPA firm] found:

- The Principal Statements were reliable in all material respects,
- Management fairly stated that internal controls in place on [date of financial statements] were effective¹ in safeguarding assets from material loss, assuring material compliance with laws governing the use of budget authority and with other relevant laws and regulations, and assuring that there were no material misstatements in the Principal Statements, and
- No reportable noncompliance with laws and regulations it tested.

[Name of CPA firm] also described the following significant matters:

[Discuss significant matters].

In connection with the contract, we reviewed [name of CPA firm]'s report and related workpapers and inquired of their representatives. Our review, as differentiated from an audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on [name of entity]'s financial statements

¹ If management did not make an assertion, change this to "there were no material weaknesses in internal controls" (and include a definition of material weakness).

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or on management's assertion about the effectiveness of its internal controls²; or conclusions on compliance with laws and regulations. [Name of CPA firm] is responsible for the attached auditor's report dated [date] and the conclusions expressed in the report. However, our review disclosed no instances where [name of CPA firm] did not comply, in all material respects, with generally accepted government auditing standards.

² If management did not make an assertion about the effectiveness of internal control change this to read "conclusions about the effectiveness of internal control."

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EXAMPLE 2 -- REPORT CONCURRING WITH OTHER AUDITORS' OPINION (PRESENTING REPORT OF OTHER AUDITORS AFTER THE AUDITOR'S REPORT)³

Under [citation of statute], we are responsible for auditing [name of entity]. To help fulfill these responsibilities, we contracted with [name of firm], an independent certified public accounting firm. [Name of firm]'s report dated [date] is attached.

We concur with [name of firm]'s report that indicated:

- The Principal Statements were reliable in all material respects,
- Management fairly stated that internal controls in place on [date of financial statements] were effective in safeguarding assets from material loss, assuring material compliance with laws governing the use of budget authority and with other relevant laws and regulations, and assuring that there were no material misstatements in the Principal Statements, and
- No reportable noncompliance with laws and regulations tested.

OPINION ON FINANCIAL STATEMENTS

We concur with [name of firm]'s opinion that the [name of entity]'s fiscal years 19X2 and 19X1 financial statements and accompanying notes present fairly, in all material respects, in conformity with a comprehensive basis of accounting other than generally accepted accounting principles, as described in note X, [name of entity's]

- assets, liabilities, and net position,
- net costs,
- changes in net position,
- budgetary resources,

³ This example assumes the other auditor reported on management's assertions on internal control. If the other auditor reported under GAGAS, appropriate changes should be made.

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- reconciliation of net costs to budgetary obligations, and
- custodial activities (if applicable).⁴

[or if entity follows generally accepted accounting principles for commercial entities: We concur with [name of firm]'s opinion that the [name of entity]'s fiscal years 19X2 and 19X1 financial statements and accompanying notes present fairly, in all material respects, [name of entity]'s financial position as of September 30, 19X2 and 19X1, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.]

OPINION ON MANAGEMENT'S ASSERTION ABOUT THE EFFECTIVENESS OF INTERNAL CONTROLS

We concur with [name of firm]'s opinion that management of [entity] fairly stated that those controls in place on [end of fiscal year] provided reasonable assurance that losses, noncompliance, or misstatements material in relation to the Principal Statements would be prevented or detected on a timely basis. [Name of entity] made its assertion based upon criteria established under the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and the Office of Management and Budget Circular A-123, Management Accountability and Control [or other control criteria issued under due process procedures used by the agency, such as Internal Control - Integrated Framework, by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission and the Addendum to "Reporting to External Parties," for safeguarding of assets against unauthorized acquisition, use, or disposition; compliance with laws and regulations; and financial reporting controls].

[Name of firm] did not evaluate all internal controls relevant to operating objectives as broadly defined by FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. [Name of firm] limited its internal control testing to those controls necessary to achieve the objectives outlined in its opinion on management's assertion about the effectiveness of internal controls. Because of inherent limitations in any internal control structure, losses, noncompliance, or misstatements may nevertheless occur and not be detected. [Name of firm] also cautions

⁴ This list assumes the entity has adopted recent Statements of Federal Financial Accounting Standards and OMB Bulletin 97-01. If the entity has not adopted this guidance, modify the list to reflect the statements presented.

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that projecting its evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

COMPLIANCE WITH LAWS AND REGULATIONS

[Name of firm] also reported that the results of its tests of [name of entity]'s compliance with selected provisions of certain laws and regulations disclosed no instances of noncompliance that would be reportable under generally accepted government auditing standards. It further stated that the objective of its audit of [name of entity]'s financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, [name of firm] did not express such an opinion. We concur with [name of firm]'s conclusions regarding [name of entity]'s compliance with laws and regulations.

OBJECTIVES, SCOPE, AND METHODOLOGY

Management is responsible for

- preparing the annual financial statement in conformity with the basis of accounting described in note X [or generally accepted accounting principles];
- establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of FMFIA are met; and
- complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) the Principal Statements are reliable (free of material misstatement and presented fairly, in all material respects, in conformity with the basis of accounting described in note X [or generally accepted accounting principles]), and (2) management's assertion about the effectiveness of internal controls is fairly stated, in all material respects, based upon criteria established under the Federal Managers' Financial Integrity Act of 1982 and the Office of Management and Budget Circular A-123, Management Accountability and Control [or other control criteria issued under due process procedures used by the agency, such as Internal Control - Integrated Framework, by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission and the Addendum to "Reporting to

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External Parties," for safeguarding of assets against unauthorized acquisition, use, or disposition; compliance with laws and regulations; and financial reporting controls]. We are also responsible for testing compliance with selected provisions of laws and regulations and for performing limited procedures with respect to certain other information appearing in this annual financial statement.

To help fulfill these responsibilities, we contracted with the independent certified public accounting (CPA) firm of [name of firm] to perform a financial statement audit in accordance with generally accepted government auditing standards, OMB's Bulletin "Audit Requirements for Federal Financial Statements," and GAO's Financial Audit Manual. We evaluated the nature, timing, and extent of the work, monitored progress throughout the audit, reviewed the workpapers of the CPA firm, met with partners and staff members, evaluated the key judgments, met with officials of [entity being audited], performed independent tests of the accounting records, and performed other procedures we deemed appropriate in the circumstances. The audit was conducted in accordance with generally accepted government auditing standards.

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650 B - EXAMPLE AUDIT PROGRAM FOR USING THE WORK OF OTHERS

This program is appropriate when using the work of other auditors to perform a full or partial audit of financial statements or the work of specialists. The steps should be tailored to the circumstances and the planned level of review by deleting inapplicable steps, modifying the steps, and adding additional steps. When the other auditors or specialists have done only part of an audit, many of the steps may be deleted. Many of the steps also may be deleted for the low level of review or when the auditor plans to issue a transmittal letter. The program consists of three sections: evaluating independence, objectivity, and qualifications for CPA firms and specialists; evaluating independence, objectivity, and qualifications for government auditors; and monitoring the work (for all types of other auditors and for specialists). The auditor generally should use one of the first two sections and the third section. A separate form generally should be used for each other auditor or specialist.

Entity: _____

Job Code: _____

Period of Audit: _____

| Step | Done By/Date | W/P Ref |
|---|-----------------|------------|
| EVALUATING INDEPENDENCE, OBJECTIVITY, AND QUALIFICATIONS FOR CPA FIRMS AND SPECIALISTS 1. Read the statement of work or request for proposal to determine whether this contracting document provides sufficient background on the auditee and indicates the objectives of the work, what the contractor should include in its proposal, how proposals will be evaluated, and how the report will be used. | | |

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| Step | Done By/Date | W/P Ref |
|--|-----------------|------------|
| <u>Independence and objectivity:</u> | | |
| 2. Determine whether proposal of selected firm includes a representation as to the firm's independence and objectivity. | | |
| 3. If proposal does not include a representation as to independence and objectivity, obtain written representation from firm. | | |
| <u>Qualifications:</u> | | |
| 4. Read proposal of selected firm. In reviewing proposal, evaluate the overall qualifications of the team performing the work. Review resumes and consider for key team members their educational level, professional certifications, and professional experience (including whether key team members have current knowledge and experience in the type of work done). | | |
| 5. If selected firm is not on GAO master contract or is not known to the auditor, review peer review report, letter of comments and response letter. | | |
| 6. Communicate orally or in writing with the other auditors to be satisfied they understand the requirements, the timetable, and the report or letter the auditor expects to issue. | | |

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| Step | Done By/Date | W/P Ref |
|---|-----------------|------------|
| <p>EVALUATING INDEPENDENCE, OBJECTIVITY, AND QUALIFICATIONS FOR GOVERNMENT AUDITORS</p> <p><u>Independence and objectivity:</u></p> <p>1. For all government audit organizations, obtain written representation from the head of the audit organization that the audit organization and the individual auditors are independent of the entity being audited.</p> | | |

Planning and General**650 B - Example Audit Program for Using the Work of Others**

| Step | Done By/Date | W/P Ref |
|--|-----------------|------------|
| <p>2. Determine whether the audit organization meets ONE of the following criteria:</p> <ul style="list-style-type: none">· the head of the audit organization is appointed by the chief executive, but is confirmed by, reports the results of audits to, and is accountable to the legislative body;· the audit organization is auditing a level of government different from the level of the audit organization;· the audit organization is in a different branch of government from the organization being audited;· the head of the audit organization is elected by the citizens; or· the head of the audit organization is elected or appointed by a legislative body and reports the results of audits to and is accountable to the legislative body. <p>If the organization meets one of these criteria, no further work is needed unless the auditor finds contrary evidence as to independence and objectivity in other parts of the audit. Indicate which criterion is met; document the evaluation of any other evidence obtained. (Go to step 6.)</p> | | |

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650 B - Example Audit Program for Using the Work of Others

| Step | Done By/Date | W/P Ref |
|---|-----------------|------------|
| <p>3. If the audit organization does not meet any of the criteria in step 2, determine whether it meets ALL of the following criteria:</p> <ul style="list-style-type: none"> • Statutory recognition--the audit organization is recognized by law and cannot as a practical matter be readily abolished by the agency without the direct or indirect concurrence of the legislature; • Outside concurrence with appointment and removal of head of audit organization--the head of the audit organization is appointed and as a practical matter cannot be removed without the direct or indirect concurrence of parties outside the agency; • Reporting to agency head--the head of the audit organization reports directly to the agency head; • Government auditing standards--the audit organization is required by law or regulation to follow GAGAS in performing the audits for which the auditor wants to use the other auditors' work; and • Accountability to the public--the audit organization's mission statement, objectives, overall annual audit strategy, and audit reports are readily available to the public (except for specific reports classified for security purposes or otherwise restricted by law or regulation). | | |

Planning and General**650 B - Example Audit Program for Using the Work of Others**

| Step | Done By/Date | W/P Ref |
|--|-----------------|------------|
| 4. Perform inquiry and walkthrough procedures to test how the organization meets all of the criteria in step 3. Document conclusions and supporting rationale as to independence and objectivity of the audit organization. (Go to step 6.) | | |
| 5. If the audit organization does not meet the criteria in step 3, determine whether the organization is an independent internal audit organization under GAGAS and IIA standards. Determine whether the internal auditors are independent of the activities they audit. Consider the organizational status of the audit organization director, including: <ul style="list-style-type: none">· whether the director reports to a person of sufficient status so that there is broad audit coverage and adequate consideration and action taken on findings and recommendations;· whether the director has access to and reports regularly to the agency head or deputy, the board of directors, the audit committee, or similar body; and· whether the board, the audit committee, or the agency head oversees employment decisions related to the director. | | |

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650 B - Example Audit Program for Using the Work of Others

| Step | Done By/Date | W/P Ref |
|---|-----------------|------------|
| <p>6. For all government audit organizations, obtain an understanding of the organization's policies to enhance the objectivity of individual auditors, including:</p> <ul style="list-style-type: none"> · policies to prohibit auditors from auditing areas where relatives are employed, · policies to prohibit auditors from auditing areas where they were recently assigned or are scheduled to be assigned after they complete their tour of duty in auditing, and · policies to require representations as to objectivity and lack of conflicts of interest from each auditor. | | |
| <p>7. Prepare memorandum documenting work performed and conclusions as to independence and objectivity. Have memorandum approved by issue area director and Director of Planning and Reporting or designee.</p> | | |
| <p><u>Qualifications:</u></p> <p>8. Read the latest peer review report, letter of comments, and the audit organization's response. Note date of report and whether it is unqualified. If report is recent (usually within the past year) and unqualified, go to step 12.</p> | | |
| <p>9. If the peer review is not recent, review the latest self-inspection report, if any, and the organization's response. Note date of report and whether it is unqualified. If the inspection is recent (usually within the past year) and unqualified, go to step 12.</p> | | |

Planning and General**650 B - Example Audit Program for Using the Work of Others**

| Step | Done By/Date | W/P Ref |
|---|-----------------|------------|
| 10. If the organization has not had a recent peer review or inspection, obtain an overview of the important policies and procedures in the functional areas (through interviews of management and staff and through reading the summary quality control document, if any). Consult with Director of Planning and Reporting or designee before performing this step. | | |
| 11. If the peer review or inspection report was qualified or adverse, determine whether the quality control system has since been strengthened. Review the organization's action plan for strengthening its quality control system. Consider the effect of remaining weaknesses in determining the level of review. | | |
| 12. Inquire how the audit organization determined the staffing for the audit. Evaluate the overall qualifications of the team performing the work. Review resumes and consider for key team members: <ul style="list-style-type: none">• Educational level, professional certifications, and professional experience.• Continuing professional education, especially whether key team members have received training and have current knowledge in the type of work done.• Supervision and review of work.• Whether the audit team has adequate sources for consultation and use of specialists, especially for audit sampling, audit methodology, and review of computer controls.• Quality of workpapers, reports, and recommendations. | | |

Planning and General**650 B - Example Audit Program for Using the Work of Others**

| Step | Done By/Date | W/P Ref |
|--|-----------------|------------|
| 13. If the auditor has significant concerns about the audit organization's or team's objectivity or qualifications, the auditor, in developing the audit plan, may either: <ul style="list-style-type: none">· ask the audit organization to substitute more objective or highly qualified staff members;· do the work, treating any work done by the other auditors as prepared by the auditee;· divide the work so that the other auditors test the areas where they are qualified and the auditor does the rest of the audit; or· issue a disclaimer of opinion. | | |

Planning and General**650 B - Example Audit Program for Using the Work of Others**

| Step | Done By/Date | W/P Ref |
|--|-----------------|------------|
| MONITORING THE WORK (FOR ALL TYPES OF OTHER AUDITORS AND FOR SPECIALISTS) | | |
| 1. Develop a plan for reviewing the other auditors' or specialists' work and, if necessary, performing supplemental tests of the accounting records. Determine the level of review for each line item. | | |
| 2. Monitor the planning of the audit (FOR MODERATE AND HIGH LEVEL OF REVIEW). <ul style="list-style-type: none">· Attend entrance meeting and key planning meetings.· Review the entity profile.· Review the General Risk Analysis (and audit plan if prepared as a separate document) (FOR ALL LEVELS OF REVIEW).· Review the determination of planning materiality and design materiality.· Have an information systems auditor review the information resource management background information and the workpapers for review of general and application controls.· Document line items and applications to be reviewed.· For each such line item, review the Account Risk Analyses, the Specific Control Analyses, the cycle flowcharts, the cycle memoranda, the determination of test materiality, and the audit program. | | |

Planning and General**650 B - Example Audit Program for Using the Work of Others**

| Step | Done By/Date | W/P Ref |
|--|-----------------|------------|
| <p>3. Monitor the execution of the audit (for reports following example 2 of section 650 A or section 595 A and/or B WHERE LEVEL OF REVIEW IS HIGH).</p> <ul style="list-style-type: none">· Attend key meetings, especially those discussing high-risk areas, significant estimates and judgments, and the other auditors' conclusions.· Discuss key items with auditee management, especially significant estimates and judgments.· Perform supplemental tests of the accounting records.<ul style="list-style-type: none">.. Generally do for high risk and material line items, especially in areas involving estimates and judgments or that users rely on extensively... Generally do while the other auditors are at the auditee location and have access to the records... Examine some of the same documents the other auditors examined or make own selection or both... Compare results of other auditors' work to results of supplemental tests... Document scope of supplemental testing and conclusions reached. | | |

Planning and General**650 B - Example Audit Program for Using the Work of Others**

| Step | Done By/Date | W/P Ref |
|--|-----------------|------------|
| 4. Monitor the completion of the audit (items with * are usually not necessary for LOW level of review) <ul style="list-style-type: none">· Review the overall analytical procedures.· *Review the key workpapers for the line item and for completing the audit; consider evaluations of sample results. (For example, were projections appropriate? Was appropriate action taken based on sample results?)· *Determine whether the subsequent events review was updated to the date of the auditor's report.· Review the audit summary memorandum, conclusions about line items, and summary of possible adjustments.· Review the audit completion checklist (or equivalent document).· Review the management representation letter and the legal representation letter.· *Attend key exit conference(s).· Read the other auditors' report, the financial statements, the notes, the other accompanying information, and management's response. | | |
| 5. Prepare summary memorandum. | | |
| 6. Write the auditor's report or transmittal letter. | | |

SECTION 800

Compliance

Compliance

801 - RESERVED

Compliance

802 - GENERAL COMPLIANCE CHECKLIST

- .01 The compliance testing package is comprised of a General Compliance Questionnaire for identifying laws and regulations for compliance testing and supplements for the laws OMB requires auditors to consider during federal financial audits. The compliance supplements provide detailed guidance for assessing the effectiveness of compliance controls and testing compliance with the significant provisions of each law.
- .02 The General Compliance Checklist (Form 802) should be completed for all federal financial audits. If an individual law is considered to be significant for purposes of compliance testing, the related supplement should be completed. Supplements should be completed only for laws identified for compliance testing on the General Compliance Checklist. Use of these documents is described below.
- .03 To fully understand and evaluate compliance controls, the auditor should also follow the guidance in FAM 260 on assessing the control environment and in FAM 320 on understanding internal control systems. The FAM also provides additional guidance on compliance considerations for all audit phases.

INSTRUCTIONS FOR GENERAL COMPLIANCE CHECKLIST

- .04 The checklist contains a summary of each law included in OMB guidance on federal financial statement audits. The auditor should use this checklist to determine which of these laws are considered to be significant for purposes of testing compliance as discussed in FAM 245. The auditor should indicate whether or not each law meets the criteria for significance by placing a checkmark in the appropriate column (yes or no).
- .05 The auditor may need to use estimates or interim information in the preliminary column. The final amounts (based on the audited amounts or the final amounts of available budget authority) are used to determine whether all laws that would be significant in quantitative terms have been identified for control and compliance testing. The sources of all amounts included in this checklist should be documented. If the law is considered to be significant from a qualitative standpoint, the reasons for this conclusion should be documented.

Compliance
802 - General Compliance Checklist

.06 Supplements to the General Compliance Checklist (Form 802)

| <u>Law</u> | <u>Supplement number</u> |
|---|--------------------------|
| Antideficiency Act | 803 |
| Closing Appropriation Accounts (Selected Provisions of the National Defense Authorization Act for Fiscal Year 1991) | 804 |
| Budget Accounting and Procedures Act of 1950 | 805 |
| Chief Financial Officers Act of 1990 | 806 |
| Federal Managers' Financial Integrity Act of 1982 | 807 |
| Federal Credit Reform Act of 1990 | 808 |
| Federal Claims Collection Act, as amended by the Debt Collection Act of 1982 | 809 |
| Prompt Payment Act | 810 |
| Single Audit Act of 1984 | 811 |
| Civil Service Reform Act of 1978, as amended, and Fair Labor Standards Act | 812 |
| Civil Service Retirement Act of 1930 | 813 |
| Federal Employees Health Benefits Act of 1959 | 814 |
| Federal Employee's Group Life Insurance Act of 1980 | 815 |
| Federal Employees' Compensation Act | 816 |

Note: The Federal Debt Collection Procedures Act of 1990 was included in OMB Bulletin 93-06 in error. Further consideration for compliance testing is not necessary.

Compliance
802 - General Compliance Checklist

INSTRUCTIONS FOR COMPLIANCE SUPPLEMENTS

- .07 Each compliance supplement is comprised of (1) a compliance summary, (2) a compliance audit program, and (3) notes.

Compliance Summary

- .08 For each law identified for compliance testing on the General Compliance Checklist, the auditor should complete the related compliance summary. The compliance summary is designed to assist the auditor in designing compliance control tests and summarizing the results of compliance control tests and compliance tests for reporting the results of the work performed.
- .09 The first column contains a description of the specific provisions of the law that have been identified for compliance testing, the type of provision, and the reference to the law.
- .10 The second column contains the objective related to the specific provision to be used for both compliance control and compliance testing.
- .11 The auditor should identify the control techniques that the entity has in place to achieve each objective and document the control technique in the third column. If the entity does not have a control technique that achieves the objective, the auditor should document this condition in the third column.
- .12 The fourth column is used to indicate whether the control technique is EDP related as described in FAM 270.04.
- .13 The auditor should design control tests to determine whether the control techniques that have been identified in the third column are in place and operating effectively. A control technique is considered to be effective if it achieves the control objective. The control testing program and the control tests should be documented in the workpapers. The results of these tests and the auditor's conclusions on the effectiveness of the compliance controls should be documented in the fifth column of the Compliance Summary. A reference to supporting workpapers should be included in this column.

Compliance
802 - General Compliance Checklist

- .14 Compliance tests should be performed using the related Compliance Audit Program as described below. The results of the compliance tests should be indicated in the last column of the Compliance Summary along with a reference to the supporting workpapers.

Compliance Audit Program

- .15 A compliance audit program has been developed for the provisions identified on the related compliance summary for each law. For each law identified for compliance testing on the General Compliance Checklist, the auditor should perform each step of the related compliance audit program. The initials of the auditor(s) performing each procedure should be included in the "performed by" column of the compliance audit program. A reference to the workpapers documenting the work performed for each step should be included in the last column of the compliance audit program.

Compliance
802 - General Compliance Checklist

| Description of Law | Yes | No |
|--|--------------|--------------|
| <p>Antideficiency Act</p> <p>This law imposes restrictions on the amounts of budgetary authority that may be obligated or expended. As discussed in FAM 250, the auditor should obtain information on the entity's budget authority, from sources such as appropriation legislation, and identify all legally binding restrictions on budget execution.</p> <p>Do the amounts of any legally binding budget execution restrictions on budget authority in effect during the audit period exceed planning materiality or are provisions of the Antideficiency Act otherwise considered to be significant?</p> <div style="text-align: right; margin-right: 100px;"> <u>Preliminary</u> <u>Final</u> </div> <p>Total budget authority _____ _____</p> <p>Planning materiality _____ _____</p> <p>If yes, complete compliance supplement 803.</p> | <p>_____</p> | <p>_____</p> |

Compliance
802 - General Compliance Checklist

| Description of Law | Yes | No | | | | | | | | | |
|---|--------------------|--------------------|--------------|---|-------|-------|----------------------|-------|-------|--|--|
| <p>Closing Appropriation Accounts (Selected Provisions of the National Defense Authorization Act for Fiscal Year 1991)</p> <p>This law establishes a limitation on the time period that fixed appropriation accounts are available for adjustment and payment of unliquidated obligations. After this period, the accounts are closed and the balances cancelled, although the entity must continue to track these amounts. Additionally, the law restricts the amount of payments for unliquidated obligations relating to closed accounts that may be paid out of current year appropriations. Such payments cannot exceed (1) the amount that would have been available in the cancelled appropriation or (2) 1% of a current year appropriation available for the same purpose.</p> <p>Does the amount of total unliquidated obligations in closed accounts at the beginning of the fiscal year under audit exceed planning materiality or are provisions related to the closing of appropriation accounts otherwise considered to be significant?</p> <p>(Particularly in the early years of implementing this law (FY91-95), the auditor should consider the sensitivity of these provisions to determine whether to test compliance when amounts are not quantitatively significant.)</p> <table> <thead> <tr> <th></th> <th><u>Preliminary</u></th> <th><u>Final</u></th> </tr> </thead> <tbody> <tr> <td>Total amount of unliquidated obligations in closed accounts at beginning of fiscal year under audit</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Planning materiality</td> <td>_____</td> <td>_____</td> </tr> </tbody> </table> <p>If yes, complete compliance supplement 804.</p> | | <u>Preliminary</u> | <u>Final</u> | Total amount of unliquidated obligations in closed accounts at beginning of fiscal year under audit | _____ | _____ | Planning materiality | _____ | _____ | | |
| | <u>Preliminary</u> | <u>Final</u> | | | | | | | | | |
| Total amount of unliquidated obligations in closed accounts at beginning of fiscal year under audit | _____ | _____ | | | | | | | | | |
| Planning materiality | _____ | _____ | | | | | | | | | |

Compliance

802 - General Compliance Checklist

| Description of Law | Yes | No |
|--|--------------|--------------|
| <p>Budget Accounting and Procedures Act of 1950</p> <p>This law gives the Comptroller General the authority to set the requirements for the basis of accounting that shall be used by the entity. To carry out his responsibilities under this law, the Comptroller General, in October of 1990, entered into an agreement with the Department of Treasury and the Office of Management and Budget establishing the Federal Accounting Standards Advisory Board (FASAB). See note 1 on Page 805-5. The law requires the entity to provide information requested by the Secretary of the Treasury on the financial operations of the entity. Other requirements of this law are addressed in the procedures for testing compliance with the Financial Managers' Financial Integrity Act of 1982 and the Chief Financial Officers Act of 1990.</p> <p>Is the entity subject to the Budget Accounting and Procedures Act of 1950? (Executive branch agencies are subject to the Act.)</p> <p>If yes, complete compliance supplement 805.</p> | <p>_____</p> | <p>_____</p> |

Compliance

802 - General Compliance Checklist

| Description of Law | Yes | No |
|---|--------------|--------------|
| <p>Chief Financial Officers Act of 1990</p> <p>This law establishes the position of chief financial officer (CFO) in various federal entities. The law requires that the CFO develop and maintain the entity's accounting and financial management system, including financial reporting and internal controls, and sets forth various requirements for this system. Additionally, the law requires the preparation of an annual report on the entity and a financial audit for certain entities.</p> <p>Is the entity subject to the Chief Financial Officers Act of 1990?</p> <p>(Generally, executive branch agencies and government corporations are subject to the act.)</p> <p>If yes, complete compliance supplement 806.</p> | <p>_____</p> | <p>_____</p> |

Compliance
802 - General Compliance Checklist

| Description of Law | Yes | No |
|---|--------------|--------------|
| <p>Federal Managers' Financial Integrity Act of 1982 (FMFIA)</p> <p>This law requires entities to conduct an evaluation and prepare a report on whether the systems of accounting and internal controls comply with the requirements in the law. The report should include any material weakness identified in the systems and should describe the plans and schedule for correcting the weakness. The entity is also required to report on whether its accounting systems conform to the principles, standards, and requirements prescribed by the Comptroller General. These reports are to be prepared by December 31 of each year for review by the President and Congress.</p> <p>If the audit entity is subject to FMFIA requirements (or is part of an entity subject to FMFIA requirements), the auditor should test compliance with these provisions.</p> <p>Is the reporting entity subject to FMFIA reporting requirements either directly or as part of a larger entity?</p> <p>(Executive branch agencies are subject to the act. The CFO Act requires government corporations to file reports that are consistent with FMFIA requirements (31 USC 9106).</p> <p>If yes, complete compliance supplement 807.</p> <p>Note: These procedures are performed for the purpose of testing compliance with FMFIA. These procedures differ from the procedures described in FAM 260.23 that relate to understanding the FMFIA process for the purpose of understanding the control environment.</p> | <p>_____</p> | <p>_____</p> |

Compliance
802 - General Compliance Checklist

| Description of Law | Yes | No |
|---|--------------|--------------|
| <p>Federal Credit Reform Act of 1990 (FCRA)</p> <p>This law contains numerous provisions relating to the recording of activity related to direct loans, loan guarantees, and related modifications for budget accounting purposes. The law restricts the amount of obligations for direct loans and loan guarantees that may be incurred on or after October 1, 1991 to the amount of available budget authority.</p> <p>Does the entity's budget authority available during the audit period for direct loan obligations, loan guarantee commitments, or any related modifications exceed planning materiality or are provisions of the FCRA of 1990 otherwise considered to be significant?</p> <div style="text-align: right; margin-right: 100px;"> <u>Preliminary</u> <u>Final</u> </div> <p>Total appropriations or other budget authority available during the fiscal year for FCRA activities (direct loans, loan guarantees, and related modifications) _____</p> <p>Planning materiality _____</p> <p>If yes, complete compliance supplement 808.</p> | <p>_____</p> | <p>_____</p> |

Compliance
802 - General Compliance Checklist

| Description of Law | Yes | No |
|---|--------------|--------------|
| <p>Federal Claims Collection Act, as amended by the Debt Collection Act of 1982</p> <p>This law addresses the collection of amounts owed to the federal government. Interest generally accrues from the date that a notice that states the amount due and the interest policies is first mailed to the debtor. Interest generally accrues at a rate established by the Secretary of the Treasury. Administrative costs and penalties shall also be charged.</p> <p>Does the cumulative amount of receivables created during the audit period that are subject to the act exceed planning materiality or are provisions of the Federal Claims Collection Act, as amended by the Debt Collection Act, otherwise considered to be significant?</p> <p>Note: Provisions of the law concerning the charging of interest do not apply to amounts payable to the entity under the Internal Revenue Code, the Social Security Act, or tariff laws. Those laws contain specific provisions for these amounts.</p> <div style="display: flex; justify-content: space-around; margin-top: 20px;"> <div style="text-align: center;"> <u>Preliminary</u> </div> <div style="text-align: center;"> <u>Final</u> </div> </div> <p>Cumulative amount of receivables created during the audit period that are subject to the Federal Claims and Debt Collection Acts</p> <p style="text-align: center;">_____</p> <p>Planning materiality</p> <p style="text-align: center;">_____</p> <p>If yes, complete compliance supplement 809.</p> | <p>_____</p> | <p>_____</p> |

Compliance
802 - General Compliance Checklist

| Description of Law | Yes | No |
|---|-------|-------|
| <p>Prompt Payment Act</p> <p>The Prompt Payment Act requires federal entities to make payments for property or services by the payment due date specified in the related contract or, if a payment date is not specified in the contract, generally 30 days after the invoice for the amount due is received. If payments are not made within the appropriate time period, the entity shall pay an interest penalty. Additionally, discounts offered by vendors may only be taken during the specified period. If they are taken after the time period has expired, an interest penalty shall be paid.</p> <p>Do the entity's payments for property or services subject to the Prompt Payment Act for the audit period exceed planning materiality or are provisions of the Prompt Payment Act otherwise considered to be significant?</p> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="text-align: center;"> <u>Preliminary</u> Amount of payments made for property and services subject to the Prompt Payment Act _____ </div> <div style="text-align: center;"> <u>Final</u> _____ </div> </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="text-align: center;"> Planning materiality _____ </div> <div style="text-align: center;"> _____ </div> </div> <p>If yes, complete compliance supplement 810.</p> | _____ | _____ |

Compliance
802 - General Compliance Checklist

| Description of Law | Yes | No | | | | | | | | | |
|--|--------------------|--------------------|--------------|--|-------|-------|----------------------|-------|-------|-------|-------|
| <p>Single Audit Act of 1984</p> <p>This law addresses the audit of state and local governments and other bodies that receive funds under federal financial assistance programs (grantees). The law specifies the responsibilities of the cognizant agency (the federal entity assigned responsibility for implementing the requirements of this law for a particular grantee). These responsibilities include ensuring that audits of the grantees are performed in accordance with the requirements set forth in the law and that audit reports and corrective action plans that arise as a result of the audits are transmitted to the appropriate officials.</p> <p>Does the entity's expense for the current audit period (or for either of the two preceding fiscal years) for federal funds provided to grantees under federal financial assistance programs for which the entity is the cognizant agency exceed planning materiality or are provisions of the Single Audit Act of 1984 otherwise considered to be significant? (From a qualitative standpoint, the auditor should consider the significance of total federal assistance received from all federal sources by grantees for which the entity is the cognizant agency).</p> <p>(Note: There is a lag time between the fiscal year in which the funds were expensed and the fiscal year in which the related audit reports are due. Generally, unless there are significant changes in the entity's operations, if the law is significant for one of these periods, it will be a good indicator of significance for other periods. The auditor should use the information most readily available for making this determination.)</p> <table border="0"> <thead> <tr> <th></th> <th><u>Preliminary</u></th> <th><u>Final</u></th> </tr> </thead> <tbody> <tr> <td>Entity expense for federal funds provided to grantees for which the entity is the cognizant agency (Document the expense period)</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Planning materiality</td> <td>_____</td> <td>_____</td> </tr> </tbody> </table> <p>If yes, complete compliance supplement 811.</p> | | <u>Preliminary</u> | <u>Final</u> | Entity expense for federal funds provided to grantees for which the entity is the cognizant agency (Document the expense period) | _____ | _____ | Planning materiality | _____ | _____ | _____ | _____ |
| | <u>Preliminary</u> | <u>Final</u> | | | | | | | | | |
| Entity expense for federal funds provided to grantees for which the entity is the cognizant agency (Document the expense period) | _____ | _____ | | | | | | | | | |
| Planning materiality | _____ | _____ | | | | | | | | | |

Compliance
802 - General Compliance Checklist

| Description of Law | Yes | No | | | | | | | | | |
|--|--------------------|--------------------|--------------|-----------------|-------|-------|----------------------|-------|-------|-------|-------|
| <p>Civil Service Reform Act of 1978, as amended, and Fair Labor Standards Act</p> <p>These laws require that employees be paid at the appropriate rates established by law, including general pay increases, and that employees must be paid at least minimum wage.</p> <p>Does the entity's payroll expense for the audit period exceed planning materiality or are related provisions of the Civil Service Reform Act of 1978 or the Fair Labor Standards Act otherwise considered to be significant?</p> <table> <tr> <td></td> <td><u>Preliminary</u></td> <td><u>Final</u></td> </tr> <tr> <td>Payroll expense</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Planning materiality</td> <td>_____</td> <td>_____</td> </tr> </table> <p>If yes, complete compliance supplement 812.</p> <p>It is not expected that the entity's expense for performance awards, cash awards, or overtime for the audit period would exceed planning materiality. However, if these items or related provisions of the Civil Service Reform Act are otherwise considered to be significant, the auditor should consult with OGC for specific provisions to be considered for compliance testing.</p> | | <u>Preliminary</u> | <u>Final</u> | Payroll expense | _____ | _____ | Planning materiality | _____ | _____ | _____ | _____ |
| | <u>Preliminary</u> | <u>Final</u> | | | | | | | | | |
| Payroll expense | _____ | _____ | | | | | | | | | |
| Planning materiality | _____ | _____ | | | | | | | | | |

Compliance
802 - General Compliance Checklist

| Description of Law | Yes | No |
|--|--------------|--------------|
| <p>Civil Service Retirement Act of 1930</p> <p>This law provides retirement benefits to employees who were hired prior to January 1, 1984. For each employee, the entity withholds a percentage of basic pay from the employee's compensation and contributes an equal amount for retirement. The employee and entity amounts are remitted to Treasury.</p> <p>Does the entity's expense for retirement costs under the Civil Service Retirement Act for the audit period exceed planning materiality or are provisions of the Civil Service Retirement Act of 1930 otherwise considered to be significant?</p> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="text-align: center;"> <u>Preliminary</u> </div> <div style="text-align: center;"> <u>Final</u> </div> </div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div style="width: 40%;">Expense for retirement contributions</div> <div style="width: 20%; text-align: center;">_____</div> <div style="width: 20%; text-align: center;">_____</div> <div style="width: 20%;"></div> </div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div style="width: 40%;">Planning materiality</div> <div style="width: 20%; text-align: center;">_____</div> <div style="width: 20%; text-align: center;">_____</div> <div style="width: 20%;"></div> </div> <p style="margin-top: 20px;">If yes, complete compliance supplement 813.</p> | <p>_____</p> | <p>_____</p> |

Compliance
802 - General Compliance Checklist

| Description of Law | Yes | No |
|--|--------------|--------------|
| <p>Federal Employees Health Benefits Act of 1959</p> <p>This law provides health insurance coverage to employees who elect health insurance benefits. For each employee who elects coverage, the entity pays an amount set by OPM for insurance costs. The entity portion cannot exceed 75 percent of the insurance cost. The employee pays the remainder of the total cost. Information on the employee and entity cost of the insurance is published by OPM. The entity withholds the amount of the employee's portion of the cost from the employee's pay and remits these amounts, along with its own contributions, to Treasury.</p> <p>Does the entity's expense for health insurance costs for the audit period exceed planning materiality or are provisions of the Federal Employee's Health Benefits Act of 1959 otherwise considered to be significant?</p> <div style="text-align: right; margin-right: 100px;"> <u>Preliminary</u> <u>Final</u> </div> <p>Expense for health insurance _____ _____</p> <p>Planning materiality _____ _____</p> <p>If yes, complete compliance supplement 814.</p> | <p>_____</p> | <p>_____</p> |

Compliance
802 - General Compliance Checklist

| Description of Law | Yes | No |
|---|--|--|
| <p>Federal Employee's Group Life Insurance Act of 1980</p> <p>This law provides life insurance coverage to employees. Generally, all employees are covered unless an employee declines coverage in writing. The employee pays two-thirds of the cost and the entity pays the remaining one-third of the total cost. Information on the employee and entity cost of the insurance is published by OPM. The entity withholds the amount of the employee's portion of the cost from the employee's pay and remits these amounts, along with its own contributions, to Treasury.</p> <p>Does the entity's expense for life insurance costs for the audit period exceed planning materiality or are provisions of the Federal Employee's Group Life Insurance Act of 1980 otherwise considered to be significant?</p> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="text-align: center;"> <u>Preliminary</u> <div style="border-bottom: 1px solid black; width: 100px; margin: 0 auto;"></div> </div> <div style="text-align: center;"> <u>Final</u> <div style="border-bottom: 1px solid black; width: 100px; margin: 0 auto;"></div> </div> </div> <p>Expense for life insurance</p> <p>Planning materiality</p> <p>If yes, complete compliance supplement 815.</p> | <div style="border-bottom: 1px solid black; width: 50px; margin: 0 auto;"></div> | <div style="border-bottom: 1px solid black; width: 50px; margin: 0 auto;"></div> |

Compliance
802 - General Compliance Checklist

| Description of Law | Yes | No |
|--|---|---|
| <p>Federal Employees' Compensation Act</p> <p>This law provides for the compensation of employees injured or disabled while performing their duties. Claims are paid out of the Federal Employees' Compensation Fund. Federal entities are billed annually by the Fund for claims paid on their behalf.</p> <p>Does the entity's expense for the audit period for benefits paid by the Federal Employees' Compensation Fund on the entity's behalf exceed planning materiality or are provisions of the Federal Employees' Compensation Act otherwise considered to be significant?</p> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="text-align: center;"> <u>Preliminary</u> Expense for Compensation Fund claims _____ </div> <div style="text-align: center;"> <u>Final</u> _____ Planning materiality _____ </div> </div> <p>If yes, complete compliance supplement 816.</p> | _____ | _____ |

Compliance

802 - General Compliance Checklist

| Description of Law | Yes | No |
|--|-----|----|
| <p>Other Laws</p> <p>Perform the following procedures and include references to supporting workpapers:</p> <ol style="list-style-type: none"> As described in FAM 245.02, review the list of laws and regulations identified by the entity as significant to others. (See _____.) With OGC assistance, identify any other laws or regulations that have a direct effect on determining financial statement amounts. (See _____.) Consider whether to test compliance with any indirect laws or regulations and make inquiries of management as discussed in FAM 245.04-.06. (See _____.) For all laws or regulations identified for testing above, identify significant provisions using the criteria in FAM 245.02. Test compliance controls and compliance as described in FAM sections 300 and 460. <p>Are any other laws or regulations identified for compliance testing? _____</p> <p>If yes, attach a list of the laws or regulations identified to this form and reference it to control and compliance work performed.</p> | | |

Compliance

803 - ANTIDEFICIENCY ACT COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the Antideficiency Act are considered to be significant as indicated on Form 802 - General Compliance Checklist.

OMB guidance on budget execution, including the Antideficiency Act, is included in OMB Circular A-34.

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|---|--|--|--------------|--|---|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 1. The entity shall not make expenditures or obligations that exceed the amount available for expenditure or obligation in an appropriation or fund. Type: Quantitative-based Ref: 31 USC 1341(a)(1)(A) and (C) | 1. Expenditures or obligations do not exceed the amount available for expenditure or obligation in an appropriation or fund. | [Document the control techniques used by the entity to achieve the objective] (See note 2.) | | [Indicate yes or no, include reference to supporting workpapers] | [Indicate yes or no, include reference to supporting workpapers] See Compliance Audit Program 803 Step 3 |

Compliance
803 - Antideficiency Act Compliance Summary and Audit Program

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|--|---|---------------------------|--------------|--------------------------------------|---|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 2. The entity shall not make expenditures or obligations that exceed (1) the amount of an apportionment; or (2) a lesser amount, if any, established by agency regulations (such as the allotment level). See note 1. Type: Quantitative-based Ref: 31 USC 1517(a) | 2. Expenditures or obligations do not exceed the legally binding limit on the entity's budget authority. (The amount of the apportionment or a lesser amount, if any, established by the entity's regulations.) See note 1. | (See note 2.) | | | See Compliance Audit Program 803 Step 4 |

Compliance**803 - Antideficiency Act Compliance Summary and Audit Program**

Note: This program should be completed only if provisions of the Antideficiency Act are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary for this law.

| Name of entity: _____ | | |
|--|-----------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| 1. List the appropriations or other budget authority and the related budget accounts that were identified for compliance testing on Form 802 - General Compliance Checklist. | | |

Compliance**803 - Antideficiency Act Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>2. As discussed in FAM 460.03, the auditor needs assurance that the summarized budget information (obligations and expenditures) used for compliance tests is reasonably accurate and complete. This assurance may be provided through effective controls (usually the budget controls) or, if the controls are not effective, through substantive testing of budget amounts for validity, completeness, cutoff, recording, classification, and summarization as described in FAM 495 B.</p> <p>For the accounts listed in step 1, document whether this assurance is provided through effective controls (as indicated on Form 803 - Compliance Summary) or whether substantive tests of the budget information are necessary.</p> <p>If the controls are not considered to be effective in meeting some or all of the budget control objectives listed in FAM 395 F, perform substantive tests of the budget amounts (obligations and expenditures) as discussed in FAM 495 B. These substantive tests should be performed only for those potential misstatements for which the entity does not have effective budget controls.</p> <p>After the auditor is satisfied as to the reasonableness of the budget amounts to be used for the compliance tests, perform the compliance tests in steps 3 and 4.</p> | | |

Compliance
803 - Antideficiency Act Compliance Summary and Audit Program

| Name of entity: _____ Audit period: _____ Reviewed by: _____ | | |
|--|-----------------|------------|
| Audit Procedures | Performed by | W/P ref |
| 3. Compare the actual amounts of budget obligations and expenditures with the related <u>appropriation or other budget authority</u> listed in step 1. If the entity does not appear to have complied with the provision, perform step 5. (31 USC 1341(a)(1)(A) and (C)) | | |
| 4. Determine the entity's legally binding level of budget authority (below the appropriation level) that was identified during the planning phase. This level is usually the apportionment level unless the entity has elected a lower level, such as allotments. Compare the amount of actual obligations and expenditures to the legally binding level of restrictions on budget authority identified for compliance testing, (<u>the apportionment or allotment level</u>). If the entity does not appear to have complied with the provision, perform step 5. (31 USC 1517(a)) | | |

Compliance**803 - Antideficiency Act Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>5. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, OSI to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none">· identify the weakness in controls that allowed the noncompliance to occur, if not previously identified during control testing;· report the nature of any weakness in controls and consider modification of the opinion on internal controls as appropriate. (See FAM 580.31-.57);· consider the implications of any instances of noncompliance on the financial statements; and· report instances of noncompliance, as appropriate. (See FAM 580.58-.66.) | | |
| <p>6. Document conclusions on compliance with each provision on Form 803 - Compliance Summary.</p> | | |

Compliance**803 - Antideficiency Act Compliance Summary and Audit Program**

- Note 1: Entities are required to establish regulations that provide for a system of administrative controls over their execution of budget authority (31 USC 1514(a)). As discussed in FAM 250.03, the entity may elect to lower the level at which budget limitations are legally binding in these regulations. For example, the entity may elect to reduce the legally binding limit on the obligation and expenditure of budget funds from the apportionment to the allotment level. The auditor should determine the level at which the entity's legally binding limit has been established.
- Note 2: The auditor should consider the results of the evaluation and testing of budget controls. These controls relate to the execution of budget authority and usually are the same controls that are used to comply with the Antideficiency Act. Accordingly, additional consideration of controls that achieve the compliance objective generally is not necessary if the auditor has assessed whether the entity achieves all of the budget control objectives listed in FAM 395 F. The auditor should reference this compliance summary to the budget control evaluation and testing and perform any additional procedures considered necessary to conclude as to whether compliance controls are effective.

Compliance

804 - CLOSING APPROPRIATION ACCOUNTS (NATIONAL DEFENSE AUTHORIZATION ACT) COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the National Defense Authorization Act for Fiscal Year 1991 relating to closing appropriation accounts are considered to be significant as indicated on Form 802 - General Compliance Checklist.

OMB guidance on closing appropriation accounts is included in OMB Circular A-34, part XI.

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|--|---|--|-----------|--|---|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 1. Amounts relating to closed accounts that are paid from a current year appropriation account may not exceed either the amount that would have been available in the cancelled appropriation prior to closing or 1 percent of the current year appropriation available for the same purpose. (See note 1.) Type: Quantitative-based Ref: 31 USC 1553(b)(1) and (2) and 31 USC 1551 note | 1. Amounts relating to closed accounts that are paid from a current year appropriation account do not exceed the amount that would have been available in the cancelled appropriation prior to closing or 1 percent of the current year appropriation available for the same purpose. (See note 1.) | [Document the control techniques used by the entity to achieve the objective] (See note 3.) | | [Indicate yes or no, include reference to supporting workpapers] | [Indicate yes or no, include reference to supporting workpapers] See Compliance Audit Program 804 Step 3 |

Compliance**804 - Closing Appropriation Accounts (National Defense Authorization Act) Compliance Summary and Audit Program**

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|--|--|---------------------------|--------------|--------------------------------------|---|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 2. The entity head shall submit a report regarding the unliquidated obligations, unobligated balances, canceled balances, and adjustments made to appropriation accounts during the fiscal year. The report is due no later than 15 days after the date on which the President's budget for the next fiscal year is submitted to Congress. (See note 2.) Type:Procedural-based Ref: 31 USC 1554(b) and (c) | 2. Required reports on appropriation accounts are filed on a timely basis. | (See note 3.) | | | See Compliance Audit Program 804 Step 4 |

Compliance**804 - Closing Appropriation Accounts (National Defense Authorization Act) Compliance Summary and Audit Program**

Note: This form should be completed only if provisions of the National Defense Authorization Act for Fiscal Year 1991 relating to closing appropriation accounts are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary for this law.

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| 1. List the specific appropriation accounts that were identified for compliance testing on Form 802 - General Compliance Checklist. | | |

Compliance**804 - Closing Appropriation Accounts (National Defense Authorization Act) Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>2. As discussed in FAM 460.03, the auditor needs assurance that the summarized budget information used for each compliance test is reasonably accurate and complete. (The budget information for this compliance test is the amount of payments made out of current year appropriations for unliquidated obligations that relate to closed appropriation accounts.) This assurance may be provided through effective controls (usually the budget controls) or, if the controls are not effective, through substantive testing of budget amounts for validity, completeness, cutoff, recording, classification, and summarization as described in FAM 495 B.</p> <p>For the accounts listed in step 1, document whether this assurance is provided through effective controls (as indicated on Form 804 - Compliance Summary) or whether substantive tests of the budget information are necessary.</p> <p>If the controls are not considered to be effective in meeting some or all of the budget control objectives listed in FAM 395 F, perform substantive tests of the budget amounts as discussed in FAM 495 B. These substantive tests should be performed only for those potential misstatements for which the entity does not have effective budget controls. For these substantive tests, a test materiality of 5 percent of the current appropriation is considered to be adequate.</p> <p>After the auditor is satisfied as to the reasonableness of the budget amounts to be used for the compliance test, perform the compliance test in step 3.</p> | | |

Compliance**804 - Closing Appropriation Accounts (National Defense Authorization Act) Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|--|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>3. For each appropriation account identified for compliance testing, obtain the total amount paid from the account for unliquidated obligations that relate to closed accounts and perform the following:</p> <p>a. compare the total amount of these payments with the amount that would have been available in the cancelled appropriation account related to the unliquidated obligation prior to closing and</p> <p>b. compare the amount of these payments with an amount equal to 1 percent of the current year appropriation account available for the same purpose.</p> <p>(See note 1.)(31 USC 1553(b)(1) and (2) and 31 USC 1551 note)</p> <p>If payments exceed the amount that would have been available in the cancelled appropriation account prior to closing or the 1 percent limitation, the entity may not be in compliance. In this situation, perform step 5.</p> | | |

Compliance**804 - Closing Appropriation Accounts (National Defense Authorization Act) Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>4. The following objective relates to a procedural-based provision. As discussed in FAM 460.06, sufficient procedures usually are performed in conjunction with tests of compliance controls for procedural-based provisions to conclude on the entity's compliance without performing additional procedures. Additional procedures should be performed to obtain evidence regarding compliance with the provision related to the following objective <u>only</u> if sufficient evidence regarding compliance was not obtained during compliance control tests documented on Form 804 - Compliance Summary.</p> <p>· Required reports on appropriation accounts are filed on a timely basis. See note 2. (31 USC 1554 (b) and (c))</p> <p>If the entity does not appear to be in compliance with this provision, perform step 5.</p> | | |

Compliance**804 - Closing Appropriation Accounts (National Defense Authorization Act) Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>5. If the entity does not appear to be in compliance based on the results of the tests performed, discuss these matters with OGC and, when appropriate, OSI to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none">· identify the weakness in controls that allowed the noncompliance to occur, if not previously identified during control testing;· report the nature of any weakness in controls and consider modification of the opinion on internal controls as appropriate. (See FAM 580.31-.57);· consider the implications of any instances of noncompliance on the financial statements; and· report instances of noncompliance, as appropriate. (See FAM 580.58-.66.) | | |
| <p>6. Document conclusions on compliance with each provision on Form 804 - Compliance Summary.</p> | | |

Compliance**804 - Closing Appropriation Accounts (National Defense Authorization Act) Compliance Summary and Audit Program**

Note 1: After the closing of an account, expenditures and adjustments that would have been properly chargeable to that account before closing (primarily payment of unliquidated obligations) may be charged to any current appropriation account available for the same purpose. OMB guidance in A-34, part XI 111.4 has interpreted this provision as follows:

- for annual accounts, the limitation on payments is 1 percent of the annual appropriation for the account (not total budgetary resources); and
- for multi-year accounts, the limitation on payments is 1 percent of all appropriations for the account that have not expired for obligational purposes.

The amounts of these expenditures and adjustments cannot cause the entity to exceed the amount of the original appropriation.

Note 2: Each report required to be filed shall -

- (a) provide a description, with reference to the fiscal year of appropriations, of the amount in each account, its source, and an itemization of the appropriation accounts;
- (b) describe all current and expired appropriation accounts;
- (c) describe any payments made for obligations in expired accounts or charged to current year appropriations if they relate to obligations of closed accounts;
- (d) describe any adjustment of obligations during the fiscal year charged to the expired accounts or current year appropriations if they relate to closed accounts;
- (e) contain a certification by the entity head that the obligated balances in each appropriation account of the entity reflect proper existing obligations and that expenditures from the account since the preceding review are supported by a proper obligation of funds and otherwise are proper; and

Compliance**804 - Closing Appropriation Accounts (National Defense Authorization Act) Compliance Summary and Audit Program**

(f) describe all balances canceled during the fiscal year.

(31 USC 1554(b)(2)(A)-(F))

If this report is of special concern or sensitivity to Members of Congress or others, the auditor should consider whether to perform additional procedures regarding the quality of the information included in the report. The extent of procedures performed on this information is a matter of the auditor's judgment considering the sensitivity of the information.

Note 3: The auditor should consider the results of the evaluation and testing of budget controls. These controls relate to the execution of budget authority and usually are the same controls that are used to comply with the Antideficiency Act and this law. Accordingly, additional consideration of controls that achieve the compliance objective generally is not necessary if the auditor has assessed whether the entity achieves all of the budget control objectives listed in FAM 395 F. The auditor should reference to the budget control evaluation and testing and perform any additional procedures considered necessary to conclude as to whether compliance controls are effective.

Compliance

805 - BUDGET AND ACCOUNTING PROCEDURES ACT OF 1950 COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the Budget and Accounting Procedures Act of 1950 are considered to be significant as indicated on Form 802 - General Compliance Checklist.

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|--|---|---|--------------|--|---|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 1. The entity shall observe the accounting principles, standards, and requirements prescribed by the Comptroller General as recommended by FASAB and agreed to by OMB and Treasury as described in note 1. (See notes 1 and 2.) Type: Procedural-based Ref: 31 USC 3511(a) | 1. The entity follows the accounting principles, standards, and requirements prescribed by the Comptroller General as recommended by FASAB and agreed to by OMB and Treasury as described in note 1. (See notes 1 and 2.) | [Document the control techniques used by the entity to achieve the objective] | | [Indicate yes or no, include reference to supporting workpapers] | [Indicate yes or no, include reference to supporting workpapers] See Compliance Audit Program 805 Step 1 |

Compliance**805 - Budget and Accounting Procedures Act of 1950 Compliance Summary and Audit Program**

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|---|---|---------------------------|--------------|--------------------------------------|---|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 2. The entity shall provide information requested by the Secretary of the Treasury on the entity's financial operations. (See note 3.) Type: Procedural-based Ref: 31 USC 3513(a) | 2. Information requested by the Secretary of the Treasury on the entity's financial operations is provided. (See note 3.) | | | | See Compliance Audit Program 805 Step 1 |

Compliance**805 - Budget and Accounting Procedures Act of 1950 Compliance
Summary and Audit Program**

Note: This form should be completed only if provisions of the Budget and Accounting Procedures Act of 1950 are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

| Name of entity: _____ | | |
|--|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| Note: The provisions identified for compliance testing are procedural-based provisions. As discussed in FAM 460.06, sufficient procedures usually are performed in conjunction with tests of compliance controls for these procedural-based provisions to conclude on the entity's compliance without performing additional procedures. Additional procedures should <u>not</u> be performed to obtain evidence regarding compliance with the provisions related to these objectives unless sufficient evidence regarding compliance was not obtained during compliance control tests documented on Form 805 - Compliance Summary. | | |
| 1. Document whether sufficient evidence was obtained during compliance control tests to conclude as to compliance with the procedural provisions and perform any additional procedures considered necessary. Consider the results of audit work performed about whether the entity has followed the appropriate basis of accounting as discussed in FAM 560 "Consider Conformity with the Entity's Accounting Principles." Additional compliance tests generally are not required. | | |

Compliance**805 - Budget and Accounting Procedures Act of 1950 Compliance
Summary and Audit Program**

| Name of entity: _____ | | |
|---|-----------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>2. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, OSI to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.</p> <p>If the auditor determines that the entity has not followed the appropriate accounting principles (i.e., the auditor's opinion on the financial statements is not unqualified), consult with OGC about reporting an instance of noncompliance with the Budget and Accounting Procedures Act of 1950.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none">· identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing;· report the nature of any weakness in compliance controls and consider modification of the opinion on internal controls as appropriate. (See FAM 580.31-.57);· consider the implications of any instances of noncompliance on the financial statements; and· report instances of noncompliance, as appropriate. (See FAM 580.58-.66.) | | |
| 3. Document conclusions on compliance with each provision on Form 805 - Compliance Summary. | | |

Compliance**805 - Budget and Accounting Procedures Act of 1950 Compliance
Summary and Audit Program**

Note 1: Generally accepted accounting principles for federal government entities are being developed by the Federal Accounting Standards Advisory Board (FASAB). FASAB recommends federal accounting standards to the Comptroller General, the Secretary of the Treasury, and the Director of OMB (the Principals). The accounting standards agreed upon by these three officials are issued by the Comptroller General and OMB. Until sufficient accounting standards are agreed to and published, federal government entities can report in accordance with an "other comprehensive basis of accounting" using the following hierarchy:

1. Individual standards agreed to and published by the Principals.
2. Form and content requirements included in OMB Bulletin 93-02 and subsequent issuances.
3. Accounting standards contained in agency accounting policy, procedures manuals, and/or related guidance as of March 29, 1991, so long as they are prevalent practice.
4. Accounting principles published by authoritative standard setting bodies and other authoritative sources (1) in the absence of other guidance in the first three parts of this hierarchy, and (2) if use of such accounting standards improves the meaningfulness of the financial statements.

Note 2: Consider the results of the substantive tests, control tests, and other audit work performed regarding whether the entity has effective compliance controls and whether the entity has followed the appropriate basis of accounting as discussed in FAM 560 "Consider Conformity with the Entity's Accounting Principles." The accounting principles used by the entity should be in accordance with the hierarchy of accounting principles described in Note 1. Additional compliance tests or compliance control tests are not required. If the auditor determines that the entity has not complied with the accounting principles and standards according to the above hierarchy, the auditor should consult with OGC about reporting an instance of noncompliance with the Budget and Accounting Procedures Act of 1950.

Compliance**805 - Budget and Accounting Procedures Act of 1950 Compliance
Summary and Audit Program**

Note 3: The primary annual federal financial reports are Treasury Standard Form (SF) 220 - Report on Financial Position, SF 221 - Report on Operations, SF 222 Report on Cash Flow, and SF 223 - Report on Reconciliation. If these reports are of special concern or sensitivity to Members of Congress or others, the auditor should consider whether to perform additional procedures regarding the quality of the information included in the report. The extent of procedures performed on this information is a matter for the auditor's judgment, after considering the sensitivity of the information.

Compliance

806 - CHIEF FINANCIAL OFFICERS ACT OF 1990 COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the Chief Financial Officers Act of 1990 are considered to be significant as indicated on Form 802 - General Compliance Checklist. See note 4 for additional provisions related to government corporations. The auditor should be testing compliance controls and compliance during the audit period. For this law, because of the timing of various due dates, the provisions in effect during the current audit period will relate to the prior year's financial statements, audit report, and annual report.

OMB guidance on the CFO Act is included in OMB Bulletin 94-01 Guidance on Form and Content of Financial Statements and OMB Bulletin 93-06 Audit Requirements for Federal Financial Statements.

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|--|--|---|--------------|--|---|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 1. Not later than March 31 of each year, the entity shall prepare and submit to the Director of OMB a financial statement for the preceding fiscal year covering the entities and activities described in note 1. Type: Procedural-based Ref: 31 USC 3515(a) | 1. A financial statement is submitted to the Director of OMB by March 31 of each year for the preceding fiscal year and includes all entities that are required to be included as described in note 1. | [Document the control techniques used by the entity to achieve the objective] | | [Indicate yes or no, include reference to supporting workpapers] | [Indicate yes or no, include reference to supporting workpapers] See Compliance Audit Program 806 Step 1 |

Compliance**806 - Chief Financial Officers Act of 1990 Compliance Summary and Audit Program**

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|---|--|---------------------------|--------------|--------------------------------------|---|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 2. Each financial statement submitted under this law shall include the information described in note 2. Type: Procedural-based Ref: 31 USC 3515(b) | 2. Each financial statement submitted under this law includes the information described in note 2. | | | | See Compliance Audit Program 806 Step 1 |
| 3. A financial statement prepared under this law shall be audited in accordance with GAGAS by the appropriate party described in note 3. Type: Procedural-based Ref: 31 USC 3521(e) | 3. Financial statements prepared under this law are audited in accordance with GAGAS by the appropriate party described in note 3. | | | | See Compliance Audit Program 806 Step 1 |

Compliance**806 - Chief Financial Officers Act of 1990 Compliance Summary and Audit Program**

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|--|---|---------------------------|--------------|--------------------------------------|---|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 4. Not later than June 30 following the fiscal year for which a financial statement is submitted under this law, the person who audits the financial statements shall submit a report on the audit to the entity head. Such reports shall be prepared in accordance with GAGAS. Type: Procedural-based Ref: 31 USC 3521(f) | 4. Required audit reports are submitted by June 30 after the fiscal year for which the financial statements are prepared. Such reports are prepared in accordance with GAGAS. | | | | See Compliance Audit Program 806 Step 1 |
| 5. The CFO shall prepare and transmit, by not later than 60 days after the submission of the audit report required by this law, an annual report to the entity head and the Director of OMB. The annual report shall include the information described in note 5. Type: Procedural-based Ref: 31 USC 902(a)(6) | 5. The annual report is submitted to the entity head and the Director of OMB no later than 60 days after the submission of the audit report required by this law. The annual report includes the information described in note 5. | | | | See Compliance Audit Program 806 Step 1 |

Compliance**806 - Chief Financial Officers Act of 1990 Compliance Summary and Audit Program**

Note: This form should be completed only if provisions of the Chief Financial Officers Act of 1990 are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

OMB guidance on the CFO Act is included in OMB Bulletin 94-01 Guidance on Form and Content of Financial Statements and OMB Bulletin 93-06 Audit Requirements for Federal Financial Statements.

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| Note: The provisions identified for testing are procedural-based provisions. As discussed in FAM 460.06, sufficient procedures usually are performed in conjunction with tests of compliance controls for these procedural-based provisions to conclude on the entity's compliance without performing additional procedures. Additional procedures should <u>not</u> be performed to obtain evidence regarding compliance with the provisions related to the above objectives unless sufficient evidence regarding compliance was not obtained during compliance control tests documented on Form 806 - Compliance Summary. | | |
| Procedures: 1. Document whether sufficient evidence was obtained during compliance control tests to conclude as to compliance with the procedural provisions and perform any additional procedures considered necessary. | | |

Compliance**806 - Chief Financial Officers Act of 1990 Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|--|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>2. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, OSI to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none">· identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing;· report the nature of any weakness in compliance controls and consider modification of the opinion on management's assertion about the effectiveness of internal controls as appropriate. (See FAM 580.31-.57);· consider the implications of any instances of noncompliance on the financial statements; and· report instances of noncompliance, as appropriate. (See FAM 580.58-.66.) | | |
| <p>3. Document conclusions on compliance with each provision on Form 806 - Compliance Summary.</p> | | |

Compliance**806 - Chief Financial Officers Act of 1990 Compliance Summary and Audit Program**

Note 1: Entities to be included in the financial statement include each revolving fund and trust fund of the entity, and, to the extent practicable, the accounts of each office, bureau, and activity of the entity which performed substantial commercial functions during the preceding fiscal year. (31 USC 3515(a))

Note 2: Each financial statement submitted under this law shall reflect:

- (a) the overall financial position of the entities or activities covered by the statement, including assets and liabilities thereof;
- (b) results of operations of those entities or activities;
- (c) cash flows of those entities or activities; and
- (d) a statement of budget and actual expenses of the executive agency for those entities or activities. (31 USC 3515(b))

Note 3: Audits should be performed by the IG or by an independent external auditor. The Comptroller General has the authority to perform any of these audits in lieu of an IG or independent external auditor. (31 USC 3521(e) and (g))

Note 4: For government corporations, audits should be performed by the IG of the corporation appointed under the Inspector General Act or by an independent external auditor. The audit shall be performed in accordance with GAGAS. The auditor's report shall be submitted to the head of the corporation, to the chairman of the Committee on Government Reform and Oversight of the House of Representatives, and to the chairman of the Committee on Governmental Affairs of the Senate. (31 USC 9105(a))

A government corporation shall submit an annual management report to Congress no later than 180 days after the end of the government corporation's fiscal year. This management report shall include a statement of financial position, a statement of operations, a statement of cash flows, a reconciliation to the budget

Compliance**806 - Chief Financial Officers Act of 1990 Compliance Summary and Audit Program**

report of the government corporation, if applicable; a statement on internal accounting and administrative control systems by the head of the management of the corporation, consistent with the requirements for entity statements on internal accounting and administrative control systems under FMFIA; the report resulting from an audit of the corporation's financial statements conducted under this law; and any other comments or information necessary to inform Congress about the operations and financial condition of the corporation. A copy of the management report shall be provided to the President, Director of OMB, and the Comptroller General when the report is submitted to Congress. (31 USC 9106)

Note 5: The annual report submitted by the CFO should include the following information:

- (a) a description and analysis of the status of the financial management of the entity;
- (b) the financial statements prepared under this law;
- (c) the audit report transmitted to the entity head under this law;
- (d) a summary of the reports on internal accounting and administrative control systems submitted to the President and the Congress under FMFIA; and
- (e) other information the entity head considers appropriate to inform the President and the Congress about the operations and financial condition of the corporation. (31 USC 902(a)(6))

Compliance

807 - FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT OF 1982 COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the Federal Managers' Financial Integrity Act of 1982 (FMFIA) are considered to be significant as indicated on Form 802 - General Compliance Checklist. If the entity under audit does not file its own FMFIA report with OMB, the auditor should perform the following procedures with respect to information the entity contributes to the FMFIA report in which the entity is included.

Additional information regarding the FMFIA process and procedures performed during the planning phase of the audit are included in FAM 260.22-.26. Guidance on reporting issues related to FMFIA is included in FAM 580.66. OMB guidance related to FMFIA is included in OMB Circulars A-123 Internal Control Systems and A-127 Financial Management Systems.

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|---|---|---|-----------|--|---|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 1. By December 31 of each year, the entity head shall prepare a statement on whether the entity's systems comply with the requirements described in note 1. Type: Procedural-based Ref: 31 USC 3512(d)(2) | 1. A statement is prepared by December 31 on whether the entity's systems comply with the requirements described in note 1. | [Document the control techniques used by the entity to achieve the objective] | | [Indicate yes or no, include reference to supporting workpapers] | [Indicate yes or no, include reference to supporting workpapers] See Compliance Audit Program 807 Step 1 |

Compliance**807 - Federal Managers' Financial Integrity Act of 1982 Compliance
Summary and Audit Program**

Note: This form should be completed only if provisions of the Federal Managers' Financial Integrity Act of 1982 (FMFIA) are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

Additional information regarding the FMFIA process and procedures performed during the planning phase of the audit are included in FAM 260.22-.26. Guidance on reporting issues related to FMFIA is included in FAM 580.66. OMB guidance related to FMFIA is included in OMB Circulars A-123 Internal Control Systems and A-127 Financial Management Systems.

| Name of entity: _____ | | |
|--|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| Note: The provisions identified for compliance testing are procedural-based provisions. As discussed in FAM 460.06, sufficient procedures usually are performed in conjunction with tests of compliance controls for these procedural-based provisions to conclude on the entity's compliance without performing additional procedures. Additional procedures should <u>not</u> be performed to obtain evidence regarding compliance with the provisions related to the above objectives unless sufficient evidence regarding compliance was not obtained during compliance control tests documented on Form 807 - Compliance Summary. | | |
| 1. Document whether sufficient evidence was obtained during compliance control tests to conclude as to compliance with the procedural provisions and perform any additional procedures considered necessary. | | |

Compliance**807 - Federal Managers' Financial Integrity Act of 1982 Compliance
Summary and Audit Program**

| Name of entity: _____ | | |
|--|-----------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| 2. <u>Compliance testing does not address the quality of the FMFIA process.</u> As discussed in FAM 580.66, determine whether material weaknesses and reportable conditions identified by the auditor were included properly in the entity's FMFIA report and the Summary of the Management's FMFIA reports submitted with the Annual Financial Statement under the Chief Financial Officers Act of 1990. Document the results of this work and report results following the FAM guidance. | | |

Compliance**807 - Federal Managers' Financial Integrity Act of 1982 Compliance
Summary and Audit Program**

| Name of entity: _____ | | |
|--|-----------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>3. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, OSI to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none">· identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing;· report the nature of any weakness in compliance controls and consider modification of the opinion on internal controls as appropriate. (See FAM 580.31-.57);· consider the implications of any instances of noncompliance on the financial statements; and· report instances of noncompliance, as appropriate. (See FAM 580.58-.69.) | | |
| <p>4. Document conclusions on compliance with each provision on Form 807 - Compliance Summary.</p> | | |

Compliance**807 - Federal Managers' Financial Integrity Act of 1982 Compliance
Summary and Audit Program**

Note 1: Systems of accounting and internal controls shall provide -

- (1) complete disclosure of the financial results of the activities of the agency;
- (2) adequate financial information the agency needs for management purposes;
- (3) effective control over, and accountability for, assets for which the agency is responsible, including internal audit (see note 2);
- (4) reliable accounting results that will be the basis for -
 - (A) preparing and supporting the budget requests of the agency
 - (B) controlling and carrying out of the agency budget;
 - (C) providing financial information required for submission of the President's budget request; and
- (5) suitable integration of the accounting of the agency with the central accounting and reporting responsibilities of the Secretary of the Treasury under section 31 USC 3513. (31 USC 3512(b))

Note 2: With respect to item (3) of note 1, the law further requires the entity to establish internal accounting and administrative controls that are consistent with the standards that the Comptroller General prescribes and that reasonably ensure that -

- (1) obligations and costs comply with applicable law;
- (2) all assets are guarded against waste, loss, unauthorized use, and misappropriation; and
- (3) revenues and expenditures applicable to agency operations are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability of the assets may be maintained. (31 USC 3512(c)(1))

Note 3: OMB criteria for an FMFIA material weakness is discussed in FAM 580.39.

Compliance**807 - Federal Managers' Financial Integrity Act of 1982 Compliance
Summary and Audit Program**

Note 4: OMB criteria for material nonconformance of budget or accounting information and financial systems is discussed in FAM 580.40.

Compliance

808 - FEDERAL CREDIT REFORM ACT OF 1990 COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the Federal Credit Reform Act of 1990 are considered to be significant as indicated on Form 802 - General Compliance Checklist.

OMB guidance on FCRA is included in OMB Circular A-34, part VI, Credit Apportionment and Budget Execution.

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|--|---|---|-----------|--|---|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 1. Direct loan obligations may be incurred on or after October 1, 1991 only to the extent that an appropriation or other budget authority is available to cover these costs. (See notes 1,2, and 5-7.) Type: Quantitative-based Ref: 2 USC 661c(b) | 1. Direct loan obligations made on or after October 1, 1991 do not exceed the available appropriation or other budget authority. (See notes 1, 2, and 5-7.) | [Document the control techniques used by the entity to achieve the objective] (See note 10.) | | [Indicate yes or no, include reference to supporting workpapers] | [Indicate yes or no, include reference to supporting workpapers] See Compliance Audit Program 808 Step 3 |

Compliance**808- Federal Credit Reform Act of 1990 Compliance Summary and Audit Program**

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|--|---|---------------------------|--------------|--------------------------------------|---|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 2. A direct loan obligation or outstanding direct loan shall not be modified in a manner that increases its cost unless budget authority for the additional cost is available. (See notes 5 and 8.) (See note 9 for matters to discuss with OGC prior to testing.) Type: Quantitative-based Ref: 2 USC 661c(e) | 2. Modifications made to direct loan obligations or outstanding direct loans do not exceed the available budget authority. (See notes 5, 8, and 9.) | (See note 10.) | | | See Compliance Audit Program 808 Step 3 |
| 3. Loan guarantee commitments may be made on or after October 1, 1991 only to the extent that an appropriation or other budget authority is available to cover these costs. (See notes 3 to 7.) Type: Quantitative-based Ref: 2 USC 661c(b) | 3. Obligations for new loan guarantee commitments made on or after October 1, 1991 do not exceed the available appropriation or other budget authority. (See notes 3 to 7.) | (See note 10.) | | | See Compliance Audit Program 808 Step 3 |

Compliance**808- Federal Credit Reform Act of 1990 Compliance Summary and Audit Program**

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|--|---|---------------------------|--------------|--------------------------------------|---|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 4. A loan guarantee commitment or outstanding loan guarantee shall not be modified in a manner that increases its cost unless budget authority for the additional cost is available. (See notes 5 and 8.) (See note 9 for matters to discuss with OGC prior to testing.) Type: Quantitative-based Ref: 2 USC 661c(e) | 4. Modifications made to loan guarantee commitments or outstanding loan guarantees do not exceed the available budget authority. (See notes 5, 8, and 9.) | (See note 10.) | | | See Compliance Audit Program 808 Step 3 |

Compliance**808 - Federal Credit Reform Act of 1990 Compliance Summary and Audit Program**

Note: This form should be completed only if provisions of the Federal Credit Reform Act (FCRA) are considered to be significant as indicated on Form 802- General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

OMB guidance on FCRA is included in OMB Circular A-34, part VI, Credit Apportionment and Budget Execution.

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| 1. List the appropriations or other budget authority, and the related budget accounts, that were identified for compliance testing on Form 802- General Compliance Checklist. | | |

Compliance**808 - Federal Credit Reform Act of 1990 Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|--|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>2. As discussed in FAM 460.03, the auditor needs assurance that the summarized budget information (obligations and expenditures) used for compliance tests is reasonably accurate and complete. This assurance may be provided through effective controls (usually the budget controls) or, if the controls are not effective, through substantive testing of budget amounts for validity, completeness, cutoff, recording, classification, and summarization as described in FAM 495 B.</p> <p>For the accounts listed in step 1, document whether this assurance is provided through effective controls (as indicated on Form 808-Compliance Summary) or whether substantive tests of the budget information are necessary.</p> <p>If the controls are not considered to be effective in meeting some or all of the budget control objectives listed in FAM 395 F, plus the supplemental objectives for FCRA listed in FAM 395 F Sup, perform substantive tests of the budget amounts (obligations and expenditures) as discussed in FAM 495 B. These substantive tests should be performed only for those potential misstatements for which the entity does not have effective budget controls.</p> <p>After the auditor is satisfied as to the reasonableness of the budget amounts to be used for the compliance tests, perform the compliance tests in steps 3 and 4.</p> | | |

Compliance**808 - Federal Credit Reform Act of 1990 Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>3. For each appropriation account or other budget authority listed in step 1, perform the following procedures that are applicable:</p> <p>(a) Compare the amount of obligations for direct loans to the amount of the available appropriation or other budget authority. (Note: This budget restriction is only applicable to obligations for direct loans made on or after October 1, 1991.)</p> <p>(b) Compare the amount of obligations for modifications of direct loan obligations or outstanding direct loans to the amount of available budget authority. (Note: Discuss applicability of this budget restriction to direct loans and direct loan obligations that were outstanding prior to October 1, 1991 with OGC prior to performing compliance test.)</p> <p>(c) Compare the amount of obligations for loan guarantee commitments to the amount of the available appropriation or other budget authority. (Note: This budget restriction is only applicable to obligations for loan guarantee commitments made on or after October 1, 1991.)</p> | | |

Compliance**808 - Federal Credit Reform Act of 1990 Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>3. (d) Compare the amount of obligations for modifications of loan guarantee commitments or outstanding loan guarantees to the amount of available budget authority. (Note: Discuss applicability of this budget restriction to loan guarantees and loan guarantee commitments that were outstanding prior to October 1, 1991 with OGC prior to performing compliance test.)</p> <p>(2 USC 661c(b) and (e))</p> <p>If the amounts of obligations in any of these comparisons exceed the available budget authority, the entity may not be in compliance. Perform step 4.</p> | | |

Compliance**808 - Federal Credit Reform Act of 1990 Compliance Summary and
Audit Program**

| Name of entity: _____ | | |
|---|-----------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>4. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, OSI to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none">· identify the weakness in controls that allowed the noncompliance to occur, if not previously identified during control testing;· report the nature of any weakness in controls and consider modification of the opinion on internal controls as appropriate. (See FAM 580.31-.57);· consider the implications of any instances of noncompliance on the financial statements; and· report instances of noncompliance, as appropriate. (See FAM 580.58-.66.) | | |
| <p>5. Document conclusions on compliance with each provision on Form 808 - Compliance Summary.</p> | | |

Compliance**808 - Federal Credit Reform Act of 1990 Compliance Summary and Audit Program**

- Note 1: A direct loan is a disbursement of funds by the government to a non-federal borrower under a contract that requires the repayment of such funds with or without interest. The term also includes the purchase of, or participation in, a loan made by another lender. The term does not include the acquisition of a federally guaranteed loan in satisfaction of default claims or the price support loans of the Commodity Credit Corporation. (2 USC 661a(1))
- Note 2: A direct loan obligation is a binding agreement by a federal agency to make a direct loan when specified conditions are fulfilled by the borrower. (2 USC 661a(2))
- Note 3: A loan guarantee is any guarantee, insurance, or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-federal borrower to a non-federal lender, but does not include the insurance of deposits, shares, or other withdrawable accounts in financial institutions. (2 USC 661a(3))
- Note 4: A loan guarantee commitment is a binding agreement by a federal agency to make a loan guarantee when specified conditions are fulfilled by the borrower, the lender, or any other party to the guarantee agreement. (2 USC 661a(4))
- Note 5: Appropriations or other budget authority to cover the cost of budget obligations for direct loan obligations and loan guarantee commitments must be made in advance by the Congress. For revolving or other funds that otherwise would be available for these budget obligations, the Congress must enact a limit on the use of such funds for these purposes to make them available for use. (2 USC 661c(b))
- Note 6: Costs are defined as the estimated long-term cost to the government of a direct loan or loan guarantee, calculated on a net present value basis, excluding administrative costs and any

Compliance**808 - Federal Credit Reform Act of 1990 Compliance Summary and Audit Program**

incidental effects on governmental receipts or outlays. These calculations are described in further detail under the valuation control objective for obligations in FAM 395 F. (2 USC 661a(5))

Note 7: There is an exemption from this requirement for entitlements (mandatory programs such as the guaranteed student loan program and the VA home loan guaranty program) and credit programs of the Commodity Credit Corporation existing on the date of enactment of the act (November 5, 1990). (2 USC 661c(c))

Note 8: Modifications are government actions that alter the estimated net present value of a direct loan or loan guarantee for which an obligation has been recorded, for example a policy change affecting the repayment period or interest rate for a group of existing loans. Changes within the terms of existing contracts or through other existing authorities are not considered to be modifications. Additionally, "work outs" of individual loans, such as a change in the amount or timing of payments to be made, are not considered modifications. The effects of these changes should be included in the annual reestimates of the estimated net present value of the obligations. Permanent indefinite authority is provided by FCRA for these reestimates.

Note 9: Discuss applicability of this budget restriction to direct loans, direct loan obligations, loan guarantees, or loan guarantee commitments that were outstanding prior to October 1, 1991 with OGC prior to performing control or compliance tests.

Note 10: The auditor should consider the results of the evaluation and testing of budget controls. These controls relate to the execution of budget authority and usually are the same controls that are used to comply with the Antideficiency Act and the Federal Credit Reform Act. Accordingly, additional consideration of controls that achieve the compliance objective generally is not necessary if the auditor has assessed whether the entity achieves

Compliance**808 - Federal Credit Reform Act of 1990 Compliance Summary and Audit Program**

all of the budget control objectives listed in FAM 395 F, including the supplemental control objectives for the Federal Credit Reform Act. The auditor should reference to the budget control evaluation and testing and perform any additional procedures considered necessary to conclude as to whether compliance controls are effective.

Compliance

809 - FEDERAL CLAIMS COLLECTION ACT, AS AMENDED BY THE DEBT COLLECTION ACT OF 1982 COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the Federal Claims Collection Act, as amended by the Debt Collection Act of 1982 are considered to be significant as indicated on Form 802 - General Compliance Checklist.

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|---|---|--|--------------|---|---|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| <p>1. Interest shall be charged on an outstanding debt (or claim) owed to the entity. Interest accrues from the date the notice of the amount due and interest policies is first mailed to the debtor. Interest is charged at the rate established by the Secretary of the Treasury that is in effect on that date. The rate remains fixed at that rate for the duration of the indebtedness. (See notes 1, 2, and 3.)</p> <p>Type: Transaction-based Ref: 31 USC 3717(a), (b), and (c)</p> | <p>1. Interest is properly calculated and charged on past due amounts owed to the entity at the correct rates. (See notes 1, 2, and 3.)</p> | <p>[Document the control techniques used by the entity to achieve the objective]</p> | | <p>[Indicate yes or no, include reference to supporting workpapers]</p> | <p>[Indicate yes or no, include reference to supporting workpapers]</p> <p>See Compliance Audit Program 809 Steps 3 (a), (b), and (c)</p> |

Compliance**809- Federal Claims Collection Act, as Amended by the Debt Collection Act of 1982 Compliance Summary and Audit Program**

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|---|---|---------------------------|--------------|--------------------------------------|--|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 2. The entity shall assess, on a claim owed to it, a charge to cover the cost of processing and handling a delinquent claim plus a penalty charge (of not more than 6 percent a year) for failure to pay a part of a claim more than 90 days past due. These additional charges do not accrue interest. (See note 3.) Type: Transaction-based Ref: 31 USC 3717(e) and (f) | 2. Administrative charges and late payment penalties are properly calculated and charged on past due amounts. (See note 3.) | | | | See Compliance Audit Program 809 Step 3(d) |

Compliance**809- Federal Claims Collection Act, as Amended by the Debt Collection Act of 1982 Compliance Summary and Audit Program**

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|--|---|---------------------------|--------------|--------------------------------------|---|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 3. The entity may compromise, terminate, or suspend claims that are not more than \$100,000. Claims of more than \$100,000 (excluding interest, penalties, and administrative costs) shall be referred to the Justice Department for compromise, termination, or suspension. (See note 4.) Type: Procedural-based Ref: 31 USC 3711 | 3. Claims of more than \$100,000 (excluding interest, penalties, and administrative costs) are referred to the Justice Department for compromise, termination, or suspension. (See note 4.) | | | | See Compliance Audit Program 809 Step 5 |
| 4. The entity shall submit a report at least annually summarizing the status of loans and accounts receivable managed by the entity. (See note 5.) Type: Procedural-based Ref: 31 USC 3719 | 4. Required reports on debt collection activities are filed on a timely basis. (See note 5.) | | | | See Compliance Audit Program 809 Step 5 |

Compliance**809 - Federal Claims Collection Act, as Amended by the Debt Collection Act of 1982 Compliance Summary and Audit Program**

Note: This form should be completed only if provisions of the Federal Claims Collection Act (as amended by the Debt Collection Act) are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

| Name of entity: _____ | | |
|--|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>1. Based on the preliminary assessment of compliance control effectiveness (as documented on Form 809 - Compliance Summary), select an appropriate number of amounts owed to the entity during or at the end of the audit period. (The sample size will vary based on the expected effectiveness of compliance controls - 32 for effective controls or 59 for ineffective controls as discussed in FAM 460.02). See note 6 regarding sampling efficiencies and completeness of the sample population.</p> <p>Sample size _____</p> <p>Sample selection method _____</p> | | |

Compliance**809 - Federal Claims Collection Act, as Amended by the Debt Collection Act of 1982 Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|--|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>2. For each item selected in step 1 obtain the loan file or other supporting documentation and note the following information as of the date selected for testing:</p> <ul style="list-style-type: none">• due date of debt;• amount owed;• date the notice of the amount due and the interest policies is first mailed to the debtor;• amount of interest accrued and other administrative charges and penalties charged, if any; and• number of days the debt is past due, if any. <p>Perform step 3 if the debt is past due. Perform step 4 if the debt is not past due.</p> | | |
| <p>3. If the amount selected is past due:</p> <p>(a) Calculate the number of days that interest should be accrued on the debt as of the date selected for testing. Interest generally accrues from the date that the notice of the amount due is first mailed to the debtor. (See note 1.) Compare the auditor's calculation with the calculation performed by the entity and investigate any differences. (31 USC 3717(b))</p> | | |

Compliance**809 - Federal Claims Collection Act, as Amended by the Debt Collection Act of 1982 Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| 3. (b) Determine the interest rate that should be used to accrue interest on the debt. The rate is published in the <u>Federal Register</u> and should be the rate that was in effect on the date that the notice of the amount due is first mailed to the debtor. (Law library personnel can provide assistance in locating these rates in the <u>Federal Register</u> .) Compare the auditor's determination of the rate to the rate used by the entity and investigate any differences. (31 USC 3717(a) and (c)) | | |
| 3. (c) Calculate the amount of interest that should be owed as of the date selected for testing using the number of days tested in (a) and the interest rate tested in (b). Compare the auditor's calculation to the amount calculated by the entity and investigate any differences. See notes 2 and 3 regarding the waiver of interest. | | |
| 3. (d) Obtain the entity's schedule of administrative charges and late payment penalties and determine whether the appropriate amounts were charged to the debtor. See note 3 regarding the waiver of these charges. (31 USC 3717(e) and (f)) | | |
| 4. If the debt is not past due, determine that interest, administrative charges, or penalties are not being charged through review of the entity's records. | | |

Compliance**809 - Federal Claims Collection Act, as Amended by the Debt Collection Act of 1982 Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>5. The objectives listed below relate to procedural-based provisions. As discussed in FAM 460.06, sufficient procedures usually are performed in conjunction with tests of compliance controls for these procedural-based provisions to conclude on the entity's compliance without performing additional procedures. Additional procedures should <u>not</u> be performed to obtain evidence regarding compliance with the provisions related to the following objectives unless sufficient evidence regarding compliance was not obtained during compliance control tests documented on Form 809 - Compliance Summary.</p> <ul style="list-style-type: none">• Claims of more than \$100,000 (excluding interest, penalties, and administrative costs) are referred to the Justice Department for compromise, termination, or suspension. See note 4. (31 USC 3711)• Required reports on collection activities are filed on a timely basis. See note 5. (31 USC 3719) | | |

Compliance**809 - Federal Claims Collection Act, as Amended by the Debt Collection Act of 1982 Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|--|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>6. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, OSI to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none">· identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing;· report the nature of any weakness in compliance controls and consider modification of the opinion on internal controls as appropriate. (See FAM 580.31-.57);· consider the implications of any instances of noncompliance on the financial statements; and· report instances of noncompliance, as appropriate. (See FAM 580.58-.66.) | | |
| 7. Document conclusions on compliance with each provision on Form 809 - Compliance Summary. | | |

Compliance**809 - Federal Claims Collection Act, as Amended by the Debt Collection Act of 1982 Compliance Summary and Audit Program**

Note 1: Claims are amounts owed to the government, including amounts owed for loans insured or guaranteed by the government. The term "claim" is used interchangeably with the term "debt" in this law. (31 USC 3701(b))

Interest normally accrues from the date that notice of the debt and the agency's interest policies is first mailed to the debtor. If the agency sends a bill to the debtor in advance of the due date and that bill states the interest policies, interest would accrue from the due date specified in the bill.

The provisions regarding accrual of interest and other charges do not apply to the extent that a statute, related regulation, loan agreement, or contract provides otherwise, or if a claim is under a contract executed before October 25, 1982 that is in effect on October 25, 1982. (31 USC 3717(g)). Accrual of interest and penalties under this law does not apply to amounts owed by other agencies of the federal government, a state government or a unit of general local government or to amounts payable to the entity under the Internal Revenue Code, the Social Security Act, or tariff laws. (31 USC 3701 (c) and (d)). This law, however, does not preclude the charging of interest to state and local governments under authority provided under other laws.

Note 2: The entity shall waive the collection of interest on a claim (or any portion of the claim) that is paid within 30 days after the date on which interest began to accrue. The agency may extend this 30-day period (31 USC 3717(d)). It is not expected that interest that is either accrued or collected on claims that are paid within the 30-day period would be material or otherwise significant for purposes of compliance testing. If the auditor considers this provision to be significant for compliance testing, this form should be tailored to include the appropriate testing procedures.

Compliance**809 - Federal Claims Collection Act, as Amended by the Debt Collection Act of 1982 Compliance Summary and Audit Program**

Note 3: The entity has the authority to waive the collection of interest, penalties, and administrative charges. The entity should follow its own regulations when determining whether a waiver is appropriate. Such regulations should be in conformity with the standards set by the Comptroller General and the Attorney General described in 4 CFR 102.13(g). (31 USC 3717(h))

Note 4: Compromise is the term used when an amount less than the total amount of the claim is accepted by the entity as payment in full. Suspension refers to the temporary deferral of collection activities until such time that collection activity is expected to be more successful. Termination refers to discontinuance of collection activities.

Only the Justice department has the authority to compromise, terminate, or suspend collection on claims that are greater than \$100,000 (excluding interest, penalties, and administrative charges). Pursuant to 4 CFR Parts 103.1 and 104.1, entities generally should use a Claims Collection Litigation Report (CCLR) to refer such matters to the Justice Department.

Note 5: In addition to such other information as may be required by OMB, the report shall include information on

- (a) the total amount of loans and accounts receivable owed the entity and when amounts owed the entity are due to be repaid;
- (b) the total amount of receivables and number of claims at least 30 days past due;
- (c) the total amount written off as actually uncollectible and the total amount allowed for uncollectible loans and accounts receivable;
- (d) the rate of interest charged for overdue debts and the amount of interest charged and collected on debts;
- (e) the total number of claims and the total amount collected; and

Compliance**809 - Federal Claims Collection Act, as Amended by the Debt Collection Act of 1982 Compliance Summary and Audit Program**

- (f) the number and total amount of claims referred to the Attorney General for settlement and the number and total amount of claims the Attorney General settles.

This information shall be included for each program or activity of the entity.

If this report is of special concern or sensitivity to Members of Congress or others, the auditor should consider whether to perform additional procedures regarding the quality of the information included in the report, such as whether the amounts shown are valid, complete, and properly presented. The extent of procedures performed on this information is a matter for the auditor's judgment considering the sensitivity of the information.

Note 6: If multipurpose testing is used for the compliance test and/or compliance control test and/or a substantive detail test of accounts or loans receivable, the sample items for the compliance test and/or compliance control test should be selected using the sampling method used for the substantive test as described in FAM 430. Otherwise, the items should be selected using attribute sampling as discussed in FAM 460.02.

As with all sampling applications, the auditor should consider the completeness of the test population. For efficiency, the auditor should consider using records that were tested for validity, accuracy, and completeness (as well as the other financial statement assertions) in conjunction with substantive tests of the population.

Compliance

810 - PROMPT PAYMENT ACT COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the Prompt Payment Act are considered to be significant as indicated on Form 802 - General Compliance Checklist.

OMB guidance on the Prompt Payment Act is included in OMB Circular A-125 [Prompt Payment](#).

| Name of entity: _____ Audit period: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ Reviewed by: _____ | |
|--|---|---|--------------|--|--|
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 1. If payment for property or services from a business concern is not made by the required due date, an interest penalty shall be paid to the concern on the amount of the payment due. The interest penalty shall be paid for the period beginning on the day after the required payment date and ending on the date on which payment is made. (See notes 1, 2, 3, 4, and 5.) Type: Transaction-based Ref: 31 USC 3902(a) and (b) | 1a. All payments for property or services that are not made by the payment due date are identified. (See note 1.) 1b. Interest penalties are calculated and paid on the past due amount using the appropriate interest rate and time period. (See notes 2, 3, 4, and 5.) | [Document the control techniques used by the entity to achieve the objective] | | [Indicate yes or no, include reference to supporting workpapers] | [Indicate yes or no, include reference to supporting workpapers] See Compliance Audit Program 810 Step 4, items (a) and (b). |

Compliance**810 - Prompt Payment Act Compliance Summary and Audit Program**

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|---|---|---------------------------|--------------|--------------------------------------|--|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 2. Penalties shall be paid out of amounts made available to carry out the program for which the penalty is incurred. Type: Transaction-based Ref: 31 USC 3902(f) | 2. Interest penalties are paid out of the appropriation used to pay related program expenditures. | | | | See Compliance Audit Program 810 Step 4, item (c), step 5, item (c), and step 6. |
| 3. Discounts offered by a business concern may only be taken if payment is made within the specified time as determined from the date of the invoice. An interest penalty shall be paid on improperly taken discounts. Type: Transaction-based Ref: 31 USC 3904 | 3a. Discounts taken after the specified time period are identified. 3b. Interest penalties are properly calculated and paid on the amount of any improperly taken discounts using the appropriate interest rate and time period. | | | | See Compliance Audit Program 810 Step 5, items (a) and (b). |

Compliance**810 - Prompt Payment Act Compliance Summary and Audit Program**

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|---|--|---------------------------|--------------|--------------------------------------|--|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 4. The entity shall submit to OMB a report on the agency's payment practices during the year by November 30 for the prior fiscal year. (See note 6.) Type: Procedural-based Ref: 31 USC 3906(a)(1) | 4. The entity submits the required report on Prompt Payment Act activities to OMB by November 30 for the prior fiscal year. (See note 6.) | | | | See Compliance Audit Program 810 Step 7. |

Compliance**810 - Prompt Payment Act Compliance Summary and Audit Program**

Note: This form should be completed only if provisions of the Prompt Payment Act are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

OMB guidance on the Prompt Payment Act is included in OMB Circular A-125 Prompt Payment.

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>1. Based on the preliminary assessment of compliance control effectiveness (as documented on Form 810 - Compliance Summary), select a sample of payments from throughout the audit period. (The sample size will vary based on the expected effectiveness of compliance controls - 32 for effective controls or 59 for ineffective controls as discussed in FAM 460.02). See note 7 regarding sampling efficiencies and completeness of the sample population.</p> <p>Sample size _____</p> <p>Sample selection method _____</p> | | |

Compliance**810 - Prompt Payment Act Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|--|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>2. For each item selected in step 1, obtain the supporting documentation for the payment such as the invoice voucher package.</p> <p>(a) Document the following items in the workpapers:</p> <ul style="list-style-type: none">· invoice number· payee· invoice amount· invoice receipt date (or other date used for determining compliance with this law - see step 2 (b))· invoice date· check or electronic funds transfer number· payment date· amount of interest penalty paid, if any· amount of discount taken, if any· appropriation account(s) charged for the expenditure and interest penalty, if any | | |

Compliance**810 - Prompt Payment Act Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>2. (b) For each item selected, note whether the payment was made by the required due date. The required due date may be the date specified in the contract or, if a date is not specified, 30 days after receipt of the invoice (31 USC 3903(a)(1)(A) and (B)). If payment is for meat or meat food products, perishable agricultural products, dairy products or construction contracts, consult with OGC to determine payment due date. Specific payment due dates to avoid interest penalties are established by law for these items. (31 USC 3903(a)(2), (3), (4), and (6)).</p> <p>The invoice receipt date is established as the later of (1) the date the entity's designated representative or office actually receives a proper invoice or (2) the 7th day after the date on which the property is actually delivered or performance of the services is actually completed in accordance with the terms and conditions of the contract (unless the entity accepted the property or services before the 7th day or a longer acceptance period is specified in the contract). If the date of actual invoice receipt is not indicated, the entity must use the invoice date. (31 USC 3901(a)(4)(A) and (B))</p> <p>If the payment was made prior to the payment due date, perform step 3.</p> <p>If the payment was made after the payment due date, perform step 4.</p> <p>If a discount was taken, perform step 5.</p> | | |

Compliance**810 - Prompt Payment Act Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|---|-----------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>3. If the payment was made prior to the payment due date, and no discount was taken, determine that no interest penalty was paid.</p> <p>(Note: If the entity did not take advantage of a discount for which it was eligible or if an interest penalty was paid when it was not owed, the auditor generally should follow up on these items for purposes of reporting findings.)</p> | | |

Compliance**810 - Prompt Payment Act Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>4. If the payment was made after the payment due date, determine whether</p> <ul style="list-style-type: none">(a) an interest penalty was paid;(b) the amount of the interest penalty was properly calculated; and(c) the interest penalty was paid out of the appropriation used to pay the related expenditures. <p>Review the accounting codes indicated on the expense voucher. Determine whether the accounting codes used to record the interest penalty are the same as those used for the related expenditure and whether the codes and amounts agree to those recorded in the budgetary accounting records. (See step 6 regarding proper summarization of amounts.) (31 USC 3902 (a), (b), and (f))</p> <p>Investigate any differences between the amount of interest penalty calculated by the auditor and the amount paid by the entity, including any instances when an interest penalty was owed but not paid. See note 5. Investigate any instances when the proper appropriation account was not charged.</p> <p>See note 2 regarding the interest rate to be used. See notes 3 and 4 regarding the period of time the penalty should cover.</p> | | |

Compliance**810 - Prompt Payment Act Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>5. If a discount was taken, determine whether it was taken during the specified time period the discount was available. If the discount was taken during the specified time period, further consideration is not necessary.</p> <p>If any discounts are taken after the appropriate time period, determine whether</p> <ul style="list-style-type: none">(a) an interest penalty was paid;(b) the amount of the interest penalty was properly calculated; and(c) the interest penalty was charged against the appropriation used for the related expenditures. <p>Review the budget accounting codes indicated on the expense voucher. Determine whether the budget accounting codes indicated on the voucher for the interest penalty are the same as those used for the related expenditure. Determine whether the codes and amounts on the voucher agree to those recorded in the budgetary accounting records. (See step 6 regarding proper summarization of the budgetary amounts.) (31 USC 3902 (a), (b), and (f), and 31 USC 3904)</p> <p>(continued)</p> | | |

Compliance**810 - Prompt Payment Act Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|--|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>5. (continued)</p> <p>Interest penalties should be calculated on the amount of the discount. The penalty accrues on the amount of the discount from the last date specified that the discounted amount may be paid (31 USC 3904). See note 2 regarding the interest rate to be used to calculate the interest penalty.</p> <p>Investigate any differences between the amount of interest penalty calculated by the auditor and the amount paid by the entity, including any instances when an interest penalty was owed but not paid. Investigate any instances when the proper appropriation account was not charged.</p> | | |
| <p>6. Consider the procedures performed on the entity's budget controls over summarization of expenditure balances as discussed in FAM 395 F.</p> <p>If the auditor has assessed the entity's controls as <u>effective</u> in achieving the control objective of summarization of expenditure balances, further procedures are not necessary to obtain assurance as to whether interest penalties are paid out of the proper appropriation account.</p> <p>If the auditor has assessed the controls as <u>ineffective</u>, the auditor should perform procedures to determine whether the entity has properly summarized the expenditure balances as described in FAM 495 B.</p> | | |

Compliance**810 - Prompt Payment Act Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|--|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>7. The objective listed below relates to a procedural-based provision. As discussed in FAM 460.06, sufficient procedures usually are performed in conjunction with tests of compliance controls for procedural-based provisions to conclude on the entity's compliance without performing additional procedures. Additional procedures should <u>not</u> be performed to obtain evidence regarding compliance with the provision related to the following objective unless sufficient evidence regarding compliance was not obtained during compliance control tests documented on Form 810 - Compliance Summary.</p> <p>· The entity submits the required report on Prompt Payment Act activities to OMB by November 30 for the prior fiscal year.</p> | | |

Compliance**810 - Prompt Payment Act Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|--|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>8. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, OSI to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none">· identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing;· report the nature of any weakness in compliance controls and consider modification of the opinion on internal controls as appropriate. (See FAM 580.31-.57);· consider the implications of any instances of noncompliance on the financial statements; and· report instances of noncompliance, as appropriate. (See FAM 580.58-.66.) | | |
| <p>9. Document conclusions on compliance with each provision on Form 810 - Compliance Summary.</p> | | |

Compliance**810 - Prompt Payment Act Compliance Summary and Audit Program**

Note 1: The required due date is generally the date specified in the contract or, if a date is not specified, 30 days after receipt of the invoice (31 USC 3903(a)(1)(A) and (B)). If payment is for meat or meat food products, perishable agricultural products, dairy products or construction contracts, consult with OGC to determine payment due date. Specific payment due dates to avoid interest penalties are established by law for these items. (31 USC 3903(a)(2), (3), (4), and (6)).

The invoice receipt date is established as the later of (1) the date the entity's designated representative or office actually receives a proper invoice or (2) the 7th day after the date on which the property is actually delivered or performance of the services is actually completed in accordance with the terms and conditions of the contract, unless the entity accepted the property or services before the 7th day or a longer acceptance date is specified in the contract. If the date of actual invoice receipt is not indicated, the entity must use the invoice date. (31 USC 3901(a)(4)(A) and (B))

Note 2: Interest shall be calculated at the rate set by the Secretary of the Treasury under section 12 of the Contract Disputes Act of 1978 (41 USC 611) that is in effect at the time the entity accrues the obligation to pay a late payment interest penalty. The rates are published in the Federal Register. (31 USC 3902(a))

Note 3: The interest penalty shall be paid for the period beginning on the day after the required payment date and ending on the date on which payment is made. (31 USC 3902(b))

An interest penalty not paid after any 30-day period shall be added to the principal amount of the debt, and a penalty accrues thereafter on the combined amount of principal and interest. (31 USC 3902(e))

Note 4: A payment is deemed to be made on the date a check for payment is dated or an electronic transfer is made. (31 USC 3901)(a)(5)

Compliance**810 - Prompt Payment Act Compliance Summary and Audit Program**

Note 5: The temporary unavailability of funds to make a timely payment due for property or services does not relieve the entity head of the obligation to pay interest penalties under this law. (31 USC 3902 (d))

Note 6: The report should include a description of the extent to which the entity's practices satisfy the requirements of this law. In addition to such other information as may be required by the Director of OMB, the report shall include

- (a) the number, dollar value, and percentage of invoices for which interest or other late payment penalties were paid; the amount of such late payment interest and other penalties; and the reasons the interest penalties were not avoided by prompt payment; and
- (b) the number, dollar value, and percentage of invoices paid after the required payment date without payment of an interest penalty or other late payment penalty, and the reasons no obligation to pay such penalties was incurred with respect to such invoices or no amount for such penalties were included in the payment of such invoices. (31 USC 3906(a))

Note 7: If multipurpose testing is used for the compliance test and/or compliance control test and/or a substantive detail test of payments, the sample items for the compliance test and/or compliance control test should be selected using the sampling method used for the substantive test as described in FAM 430. Otherwise, the items should be selected using attribute sampling as discussed in FAM 460.02.

As with all sampling applications, the auditor should consider the completeness of the test population. For efficiency, the auditor should consider using records that were tested for validity, accuracy, and completeness (as well as the other financial

Compliance**810 - Prompt Payment Act Compliance Summary and Audit Program**

statement assertions) in conjunction with substantive tests of the population.

Compliance

811 - SINGLE AUDIT ACT OF 1984 COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the Single Audit Act of 1984 are considered to be significant as indicated on Form 802 - General Compliance Checklist.

| Name of entity: _____ Audit period: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ Reviewed by: _____ | |
|--|---|---|-----------|--|---|
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 1. A cognizant agency shall ensure that audits are made in a timely manner and in accordance with the requirements of this law as described in note 3. Type: Procedural-based Ref: 31 USC 7504(b)(1) | 1. Audits are performed on a timely basis on state and local governments and other bodies receiving federal funds (hereafter called organizations) for which the federal entity is the cognizant agency. Such audits are conducted in accordance with the law as described in note 3. | [Document the control techniques used by the entity to achieve the objective] | | [Indicate yes or no, include reference to supporting workpapers] | [Indicate yes or no, include reference to supporting workpapers] See Compliance Audit Program 811 Step 4 |

Compliance**811 - Single Audit Act of 1984 Compliance Summary and Audit Program**

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|---|---|---------------------------|--------------|--------------------------------------|---|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 2. A cognizant agency shall ensure that audit reports and corrective action plans made pursuant to this law are transmitted to the appropriate federal officials. Type: Procedural-based Ref: 31 USC 7504(b)(2) | 2. All audit reports and any corrective action plans are transmitted to agencies whose funds were included in the audit reports and corrective actions plans. (See note 5.) | | | | See Compliance Audit Program 811 Step 4 |

Compliance**811 - Single Audit Act of 1984 Compliance Summary and Audit Program**

Note: This form should be completed only if provisions of the Single Audit Act of 1984 are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| Note: The provisions identified for testing are procedural-based provisions. As discussed in FAM 460.06, sufficient procedures usually are performed in conjunction with tests of compliance controls for these procedural-based provisions to conclude on the entity's compliance without performing additional procedures. Additional procedures should <u>not</u> be performed to obtain evidence regarding compliance with the provisions related to these objectives unless sufficient evidence regarding compliance was not obtained during compliance control tests documented on Form 811 - Compliance Summary. | | |
| Procedures 1-3 listed below may be used to design compliance control tests of the procedural provisions identified for testing. Procedures 4-6 listed below should be performed in all situations if provisions of the Single Audit Act of 1984 are considered to be significant. | | |

Compliance**811 - Single Audit Act of 1984 Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| 1. Determine whether the entity has procedures to provide reasonable assurance that audits are performed on a timely basis on organizations receiving federal financial assistance funds for which the entity is the cognizant agency. Obtain a list of all recipients for which the entity is the cognizant agency. Review records maintained by the entity regarding federal fund recipients and audits performed to determine whether the list is complete. Select an appropriate number of federal fund recipients from the list and determine whether the required audit reports were received. If the audit reports have not yet been received, discuss the reasons for the delay with entity personnel, including the actions being taken by the entity to resolve the matter. The number of recipients selected should be sufficient, in the auditor's judgment, to conclude as to the entity's compliance with this requirement. | | |

Compliance**811 - Single Audit Act of 1984 Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>2. Determine whether the agency has procedures to provide reasonable assurance that audits that are performed pursuant to this law comply with the requirements of the law. Select individual audit reports to test compliance with the following audit requirements (the number of reports selected should be sufficient, in the auditor's judgment, to conclude as to the entity's compliance):</p> <ul style="list-style-type: none">• The audit shall be conducted by an independent auditor in accordance with generally accepted government auditing standards. (31 USC 7502(c)).• Each audit shall cover the entire state or local government's operations except, at the option of such government, the audit may cover only each department, agency, or establishment which received, expended, or otherwise administered federal financial assistance during the fiscal year (31 USC 7502(d)(1)(A)). If the government received more than a total of \$25,000 in general revenue sharing funds, the audit shall cover the government's entire operations, and no option is available (31 USC 7502(d)(5)). Public hospitals and public colleges and universities may be excluded from these audits (31 USC 7502(d)(1)(B)).• Each audit shall include a report as to whether<ul style="list-style-type: none">(A) the financial statements of the audited organization are presented fairly in accordance with generally accepted accounting principles; | | |

Compliance**811 - Single Audit Act of 1984 Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|--|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>2. (continued)</p> <p>(B) the audited organization complied with laws and regulations that may have a material effect upon the audited organization's financial statements;</p> <p>(C) the audited organization has internal control systems to provide reasonable assurance that it is managing federal financial assistance programs in compliance with applicable laws and regulations; and</p> <p>(D) the audited organization has complied with laws and regulations that may have a material effect on each major federal assistance program. (31 USC 7502(d)(2))</p> <ul style="list-style-type: none">• When conducting these audits, the independent auditor shall select and test a representative number of transactions from each major federal assistance program. Transactions selected from federal assistance programs pursuant to the test requirements in (A), (B), and (C) in the preceding paragraph shall be tested for compliance with federal laws and regulations that apply to such transactions. Any noncompliance found in such transactions by the auditor shall be reported. (31 USC 7502(d)(2) and (3))• Within 30 days of the completion of the audit report, the auditee shall transmit the report to the appropriate federal officials and make it available for public inspection. (31 USC 7502(f)) <p>(continued)</p> | | |

Compliance**811 - Single Audit Act of 1984 Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| 2. (continued) · If an audit finds any material noncompliance with applicable laws and regulations by, or material weakness in the internal controls of, the audited organization, the audited organization shall submit to the appropriate federal officials a plan for corrective action to eliminate the problem found or a statement describing the reasons that corrective action is not necessary. (31 USC 7502(g)) | | |
| 3. Determine whether the entity has procedures for the transmittal of audit reports and corrective action plans, if applicable, to other agencies whose funds were included in the audit and corrective actions plans. Using the audit reports selected in step 2, select agencies whose funds were included in the audit and review transmittal information indicating that audit reports and corrective action plans have been sent to the appropriate agencies (these reports might be sent either by the cognizant agency or the audited organization). The number of organizations selected from individual audit reports should be sufficient, in the auditor's judgment, to conclude as to compliance with this requirement. | | |
| 4. Document whether sufficient evidence was obtained during compliance control tests to conclude as to compliance with the procedural provisions and perform any additional procedures considered necessary. | | |

Compliance**811 - Single Audit Act of 1984 Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|--|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>5. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, OSI to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none">· identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing;· report the nature of any weakness in compliance controls and consider modification of the opinion on internal controls as appropriate. (See FAM 580.31-.57);· consider the implications of any instances of noncompliance on the financial statements; and· report instances of noncompliance, as appropriate. (See FAM 580.58-.66.) | | |
| 6. Document conclusions on compliance with each provision on Form 811 - Compliance Summary. | | |

Compliance**811 - Single Audit Act of 1984 Compliance Summary and Audit Program**

- Note 1: A cognizant agency is a federal agency which is assigned by the Director of OMB the responsibility for implementing the requirements of this law with respect to a particular state or local government. (31 USC 7501(1)).
- Note 2: Federal financial assistance is assistance provided by a federal agency in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations, but does not include direct federal cash assistance to individuals. (31 USC 7501(4)).
- Note 3: Audits are required to be performed under this law for organizations that receive a total amount of federal financial assistance of \$100,000 or more in any fiscal year. If an organization receives an amount equal to or greater than \$25,000 but less than \$100,000, an audit shall be performed as described by this law or the organization may comply with audit requirements of the programs under which the federal financial assistance is received. Organizations that receive less than \$25,000 are exempt from an audit under this law or under audit requirements of the program under which the federal assistance is received. An organization is considered to have received federal financial assistance whether such assistance is received directly from a federal agency or indirectly through another state or local government. (31 USC 7502(a)).

Audits performed under this law shall meet the following requirements:

- The audit shall be conducted by an independent auditor in accordance with generally accepted government auditing standards. (31 USC 7502(c)).
- Each audit shall cover the entire state or local government's operations except, at the option of such government, the audit may cover only each department, agency, or establishment which

Compliance**811 - Single Audit Act of 1984 Compliance Summary and Audit Program**

received, expended or otherwise administered federal financial assistance during the fiscal year (31 USC 7502(d)(1)(A)). If the government received more than a total of \$25,000 in general revenue sharing funds, the audit shall cover the government's entire operations, and no option is available (31 USC 7502(d)(5)). Public hospitals and public colleges and universities may be excluded from these audits. (31 USC 7502(d)(1)(B)).

- Each audit shall include a report as to whether (A) the financial statements of the audited organization are presented fairly in accordance with generally accepted accounting principles; (B) the audited organization complied with laws and regulations that may have a material effect upon the audited organization's financial statements; (C) the audited organization has internal control systems to provide reasonable assurance that it is managing federal financial assistance programs in compliance with applicable laws and regulations; and (D) the audited organization has complied with laws and regulations that may have a material effect on each major federal assistance program. (31 USC 7502(d)(2)).
- When conducting these audits, the independent auditor shall select and test a representative number of transactions from each major federal assistance program. Transactions selected from federal assistance programs pursuant to the test requirements in (A), (B), and (C) in the preceding paragraph shall be tested for compliance with federal laws and regulations that apply to such transactions. Any noncompliance found in such transactions by the auditor shall be reported. (31 USC 7502(d)(2) and (3)).
- Within 30 days of the completion of the audit report, the auditee shall transmit the report to the appropriate federal officials and make it available for public inspection. (31 USC 7502(f)).
- If an audit finds any material noncompliance with applicable laws and regulations by, or material weakness in the internal

Compliance**811 - Single Audit Act of 1984 Compliance Summary and Audit Program**

controls of, the audited organization, the audited organization shall submit to the appropriate federal officials a plan for corrective action to eliminate the problem found or a statement describing the reasons that corrective action is not necessary. (31 USC 7502(g)).

Note 4: The definition of a major federal assistance program for purposes of this law varies with the size of the organization receiving the federal funds and may be found in 31 USC 7501(12).

Note 5: The auditor may choose to review the entity's procedures for reviewing audit quality and follow up on corrective action plans if considered to be a significant area of entity operations by the auditor.

Compliance

812 - CIVIL SERVICE REFORM ACT OF 1978, AS AMENDED, AND FAIR LABOR STANDARDS ACT COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the Civil Service Reform Act of 1978, as amended, and the Fair Labor Standards Act are considered to be significant as indicated on Form 802 - General Compliance Checklist.

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|--|---|---|--------------|--|--|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 1. Pay for a specific position should be based on the appropriate pay schedule or pay rate. Type: Transaction-based Ref: 5 USC 5332 and 5343 | 1. Employees are paid at appropriate rates. | [Document the control techniques used by the entity to achieve the objective] | | [Indicate yes or no, include reference to supporting workpapers] | [Indicate yes or no, include reference to supporting workpapers] See Compliance Audit Program 812 Step 4(b) |

Compliance**812- Civil Service Reform Act of 1978, as Amended, and Fair Labor Standards Act Compliance Summary and Audit Program**

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|---|---|---------------------------|--------------|--------------------------------------|--|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 2. Employer shall pay employees at least minimum wage (\$4.25 per hour after March 31, 1991). (See note 1.) Type: Transaction-based Ref: 29 USC 206 | 3. Employees are paid at least minimum wage. (See note 1.) | | | | See Compliance Audit Program 812 Step 4(b) |

Compliance**812 - Civil Service Reform Act of 1978, as Amended, and Fair Labor Standards Act Compliance Summary and Audit Program**

Note: This form should be completed only if provisions of the Civil Service Reform Act of 1978, as amended, and the Fair Labor Standards Act are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

| Name of entity: _____ | | |
|--|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| Note: These tests are closely related to procedures performed for substantive detail tests of payroll expense. Use of multipurpose testing in this situation is strongly encouraged. | | |
| 1. Based on the preliminary assessment of compliance control effectiveness (as documented on Form 812 - Compliance Summary), select an appropriate number of disbursements from the payroll records throughout the audit period. (The sample size will vary based on the expected effectiveness of compliance controls - 32 for effective controls or 59 for ineffective controls as discussed in FAM 460.02). See note 2 regarding sampling efficiencies and completeness of the sample population. Sample size _____ Sample selection method _____ | | |

Compliance**812 - Civil Service Reform Act of 1978, as Amended, and Fair Labor Standards Act Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|--|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| 2. For each item selected in 1, note the following information: <ul style="list-style-type: none">· employee name· employee social security number· pay period (number and dates)· amount of gross pay for the period· pay rate· total hours worked· number of hours worked at regular pay and other pay (i.e., overtime, premium pay, etc.) | | |
| 3. For each item selected in 1, obtain the employee's personnel file and note the following in effect for the pay period selected: <ul style="list-style-type: none">· the employee's grade and step· the employee's pay rate | | |

Compliance**812 - Civil Service Reform Act of 1978, as Amended, and Fair Labor Standards Act Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>4. For each item selected in 1,</p> <p>(a) Calculate the amount of gross pay using the hours worked and the employee's pay rate indicated on the payroll records. Compare the amount of gross pay calculated by the auditor to the amount shown on the payroll records for the selected pay period and investigate any differences.</p> <p>Note: To convert basic annual amount to a daily, weekly or biweekly amount, divide the annual rate by 2,087 for an hourly rate. Multiply the hourly rate by number of either daily hours, 40 for weekly, or 80 for biweekly amounts. (5 USC 5504)</p> | | |
| <p>4. (b) Compare the employee's pay rate in the payroll records to the appropriate pay rate for the employee's approved grade and step on the pay schedules established by Executive order. (Use the approved grade and step indicated in the employee's personnel records for this test.) Investigate any differences between the actual pay rate for the period selected and the authorized amounts. (5 USC 5332 and 5343)</p> <p>If the employee's pay is not set by these pay schedules, determine whether the amount paid is properly authorized and whether the pay rate is at least minimum wage (\$4.25 per hour after March 31, 1991). (29 USC 206)</p> | | |

Compliance**812 - Civil Service Reform Act of 1978, as Amended, and Fair Labor Standards Act Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|--|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>5. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, OSI to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none">· identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing;· report the nature of any weakness in compliance controls and consider modification of the opinion on internal controls as appropriate. (See FAM 580.31-.57);· consider the implications of any instances of noncompliance on the financial statements; and· report instances of noncompliance, as appropriate. (See FAM 580.58-.66.) | | |
| <p>6. Document conclusions on compliance with each provision on Form 812 - Compliance Summary.</p> | | |

Compliance**812 - Civil Service Reform Act of 1978, as Amended, and Fair Labor Standards Act Compliance Summary and Audit Program**

Note 1: To convert basic annual amount to a daily, weekly, or biweekly amount, divide the annual rate by 2,087 for an hourly rate. Multiply the hourly rate by number of either daily hours, 40 for weekly, or 80 for biweekly amounts. (5 USC 5504)

Note 2: If multipurpose testing is used for the compliance test and/or compliance control test and a substantive detail test of payroll expense, the sample items for the compliance test and/or compliance control test should be selected using the sampling method used for the substantive test. Otherwise, the items should be selected using attribute sampling, as discussed in FAM 460.02.

As with all sampling applications, the auditor should consider the completeness of the test population. For efficiency, the auditor should consider using records that were tested for validity and completeness (as well as the other financial statement assertions) in conjunction with substantive tests of payroll or other payroll related compliance tests.

Compliance

813 - CIVIL SERVICE RETIREMENT ACT OF 1930 COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the Civil Service Retirement Act of 1930 are considered to be significant as indicated on Form 802 - General Compliance Checklist.

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|--|---|---|-----------|--|--|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 1. For each employee employed prior to January 1, 1984, the entity shall withhold 7 percent of the basic pay of the employee. (See notes 1 and 2.) Type: Transaction-based Ref: 5 USC 8334(a)(1) | 1. The appropriate amount is withheld from employee's pay. (See notes 1 and 2.) | [Document the control techniques used by the entity to achieve the objective] | | [Indicate yes or no, include reference to supporting workpapers] | [Indicate yes or no, include reference to supporting workpapers] See Compliance Audit Program 813 Step 4(b) |

Compliance**813- Civil Service Retirement Act of 1930 Compliance Summary and Audit Program**

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|---|--|---------------------------|--------------|--------------------------------------|--|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 2. An amount equal to the amount withheld from the employee's pay shall be contributed by the entity from the appropriation or fund used to pay the employee. Type: Transaction-based and Quantitative-based Ref: USC 5 USC 8334(a)(1) | 2. The entity contribution for employee retirement is calculated properly, summarized properly, and charged to the proper appropriation account or fund. | | | | See Compliance Audit Program 813 Steps 4(c) and 5 |
| 3. Amounts withheld from employees and the sum contributed by the entity for retirement benefits shall be deposited in the Treasury to the credit of the Civil Service Retirement and Disability Fund. Type: Procedural-based and Quantitative based Ref: 5 USC 8334(a)(2) | 3. Withholdings from employees and entity contributions for retirement benefits are properly summarized and deposited in the Treasury to the credit of the Civil Service Retirement and Disability Fund. | | | | See Compliance Audit Program 813 Steps 6 and 7 |

Compliance**813 - Civil Service Retirement Act of 1930 Compliance Summary and Audit Program**

Note: This form should be completed only if provisions of the Civil Service Retirement Act of 1930 are considered to be significant as indicated on Form 802 -General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>1. Based on the preliminary assessment of compliance control effectiveness (as documented on Form 813 - Compliance Summary), select a sample of expense amounts for individuals' gross pay from the payroll disbursement records for the audit period for employees covered by the Civil Service Retirement Act (CSRS). (See note 1.)</p> <p>(The sample size will vary based on the expected effectiveness of compliance controls - 32 for effective controls or 59 for ineffective controls as discussed in FAM 460.02). See note 3 regarding sampling efficiencies and completeness of the sample population.</p> <p>Sample size _____</p> <p>Sample selection method _____</p> | | |

Compliance**813 - Civil Service Retirement Act of 1930 Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| 2. For each selection made in 1, document the following for the pay period selected: <ul style="list-style-type: none">· the amount withheld for the cost of retirement benefits,· the amount of basic pay, and· if indicated in the payroll disbursement records, document the retirement plan under which the withholdings were made (CSRS or FERS). (Only employees covered by CSRS should be included in this compliance test.) | | |
| 3. For each item selected in 1, obtain the employee's personnel file and note the following: <ul style="list-style-type: none">· employee hire date,· amount of basic pay, and· the retirement plan under which the employee is covered. | | |
| 4. For each selection made in 1, <ul style="list-style-type: none">(a) Compare the amount of basic pay indicated in the employee's personnel file with the amount indicated in the payroll records and investigate any differences. | | |

Compliance**813 - Civil Service Retirement Act of 1930 Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| 4. (b) Calculate the amount of the withholdings for retirement costs based on 7 percent of basic pay for executive branch employees (see note 2 for percentages for other employees) for the selected pay period and document the amount in the workpapers. Compare to the actual amount withheld for the selected pay period and investigate any differences. (5 USC 8334(a)(1)) | | |
| 4. (c) Determine whether the entity contributed an equal amount for the employee's retirement for the selected pay period. Investigate any differences between the employee and entity contributions. (5 USC 8334(a)(1)) | | |

Compliance**813 - Civil Service Retirement Act of 1930 Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>5. Determine whether amounts contributed by the entity are charged to the appropriation or fund used to pay the employee for the selected pay period by performing the following procedures:</p> <p>(a) Review the accounting codes indicated on the supporting documentation.</p> <p>(b) Determine whether the accounting codes used to record the entity contribution are the same as those used for the related payroll expenditure and whether the codes and amounts agree to those recorded in the budgetary accounting records.</p> <p>(c) Consider the procedures performed on the entity's budget controls over summarization of expenditure balances as discussed in FAM 395 F.</p> <p>If the auditor has assessed the entity's controls as <u>effective</u> in achieving the control objective of summarization of expenditure balances, further procedures are not necessary to obtain assurance as to whether the entity's contributions are paid out of the proper appropriation account.</p> <p>If the auditor has assessed the controls as <u>ineffective</u>, the auditor should perform procedures to determine whether the entity has properly summarized the expenditure balances as described in FAM 495 B.</p> <p>(5 USC 8334 (a)(1))</p> | | |

Compliance**813 - Civil Service Retirement Act of 1930 Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|--|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| 6. Determine whether the entity has effective controls over the proper summarization of the amounts withheld from employees for retirement costs under this law and the entity contributions for remittance to Treasury. If the entity does not have effective controls for summarization, test the summarization of the totals that include the items selected for testing in step 1. | | |
| 7. Compare the combined totals of employee withholdings and entity contributions that include each selection made in step 1 to the deposit made to Treasury and the remittance sent to OPM and investigate any differences. The funds should be deposited in the Treasury to the credit of the Civil Service Retirement and Disability Fund. (5 USC 8334(a)(2)) | | |

Compliance**813 - Civil Service Retirement Act of 1930 Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|--|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>8. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, OSI to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none">· identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing;· report the nature of any weakness in compliance controls and consider modification of the opinion on internal controls as appropriate. (See FAM 580.31-.57);· consider the implications of any instances of noncompliance on the financial statements; and· report instances of noncompliance, as appropriate. (See FAM 580.58-.66.) | | |
| <p>9. Document conclusions on compliance with each provision on Form 813 - Compliance Summary.</p> | | |

Compliance**813 - Civil Service Retirement Act of 1930 Compliance Summary and Audit Program**

Note 1: Employees may be covered by the Civil Service Retirement Act (CSRS) or the Federal Employees' Retirement Act (FERS), generally depending on their employment date.

Note 2: For executive branch employees, the percentage to be withheld is 7 percent; for Congressional employees - 7½ percent; and for Members of Congress - 8 percent. (5 USC 8334(a)(1))

Note 3: If multipurpose testing is used for the compliance test and/or compliance control test and a substantive detail test of payroll expense, the sample items for the compliance test and/or compliance control test should be selected using the sampling method used for the substantive test. Otherwise, the items should be selected using attribute sampling, as discussed in FAM 460.02.

As with all sampling applications, the auditor should consider the completeness of the test population. For efficiency, the auditor should consider using records that were tested for validity and completeness (as well as the other financial statement assertions) in conjunction with substantive tests of payroll or other payroll related compliance tests.

Compliance

814 - FEDERAL EMPLOYEES HEALTH BENEFITS ACT OF 1959 COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the Federal Employees Health Benefits Act of 1959 are considered to be significant as indicated on Form 802 - General Compliance Checklist.

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|---|--|---|--------------|--|--|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 1. For each full-time employee enrolled in a health benefits plan, a biweekly contribution shall be made by the entity in an amount determined by OPM for each type of insurance plan. (See note 1 for part-time career employees.) Type: Transaction-based Ref: 5 USC 8906(b)(1) | 1. The amount of the entity contribution for health insurance benefits is calculated properly for employees who elect to enroll in a health benefits plan. | [Document the control techniques used by the entity to achieve the objective] | | [Indicate yes or no, include reference to supporting workpapers] | [Indicate yes or no, include reference to supporting workpapers] See Compliance Audit Program 814 Step 4(b) |

Compliance**814- Federal Employees Health Benefits Act of 1959 Compliance Summary and Audit Program**

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|--|--|---------------------------|--------------|--------------------------------------|--|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 2. The entity contribution for the cost of health insurance shall be paid from the appropriation or fund that is used to pay the employee. Type: Transaction-based and Quantitative-based Ref: 5 USC 8906(f) | 2. Entity contributions for the cost of employee health insurance are summarized properly and charged to the proper appropriation account or fund. | | | | See Compliance Audit Program 814 Step 4(c) |
| 3. An amount shall be withheld from the employee's pay to cover the total cost of enrollment in the health benefit plan selected by the employee after the amount of the entity contribution is subtracted. Type: Transaction-based Ref: 5 USC 8906(d) | 3. Withholdings are made for the employee's share of the cost of health insurance and are calculated properly. | | | | See Compliance Audit Program 814 Step 4(a) |

Compliance**814- Federal Employees Health Benefits Act of 1959 Compliance Summary and Audit Program**

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|--|---|---------------------------|--------------|--------------------------------------|---|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 4. Amounts withheld from employees and the sum contributed by the entity for health insurance costs shall be deposited in the Treasury to the credit of the Employees Health Benefits Fund. Type: Procedural-based and Quantitative-based Ref: 5 USC 8909 | 4. Withholdings from employees and entity contributions for health insurance costs are properly summarized and deposited in the Treasury to the credit of the Employees Health Benefits Fund. | | | | See Compliance Audit Program 814 Step 5 and 6 |

Compliance**814 - Federal Employees Health Benefits Act of 1959 Compliance
Summary and Audit Program**

Note: This form should be completed only if provisions of the Federal Employees Health Benefits Act of 1959 are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

| Name of entity: _____ | | |
|--|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>1. Based on the preliminary assessment of compliance control effectiveness (as documented on Form 814 - Compliance Summary), select a sample of expense amounts for individuals' gross pay from the payroll disbursement records for the audit period.</p> <p>(The sample size will vary based on the expected effectiveness of compliance controls - 32 for effective controls or 59 for ineffective controls as discussed in FAM 460.02). See note 2 regarding sampling efficiencies and completeness of the sample population.</p> <p>Sample size _____</p> <p>Sample selection method _____</p> | | |
| <p>2. For each selection made in step 1, document the employee, the pay period selected, and the amount withheld for the pay period selected, if any, for the cost of health insurance. If available, document the health plan enrollment code.</p> | | |

Compliance**814 - Federal Employees Health Benefits Act of 1959 Compliance
Summary and Audit Program**

| Name of entity: _____ | | |
|--|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>3. For each selection made in step 1, obtain the employee's personnel file and note whether the employee elected health insurance coverage for the period to which payroll disbursement relates. Such coverage should be indicated on OPM form SF 2809.</p> <p>If the employee did not elect health insurance coverage, investigate why amounts are being withheld for the cost of insurance and determine whether any entity contributions are being made inappropriately as well.</p> | | |
| <p>4. If the employee identified in 3 elected coverage, perform the following steps:</p> <p>(a) Obtain the schedule of health insurance costs for all plans published by OPM. Using the enrollment code for the plan selected by the employee on OPM form SF 2809, calculate the employee's portion of the health insurance cost and document in the workpapers. Compare to the amount actually withheld for the selected pay period and investigate any differences. (5 USC 8906(d))</p> | | |

Compliance**814 - Federal Employees Health Benefits Act of 1959 Compliance
Summary and Audit Program**

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| 4. (b) For each employee in (a), determine the appropriate amount of the entity's contribution for its share of health insurance costs by using the OPM schedule of costs. Compare to the amount actually contributed by the entity for the employee's health insurance for the selected pay period and investigate any differences. (See note 1 for part-time career employees.) (5 USC 8906(b)(1)) | | |
| 4. (c) For each employee in (b), determine whether amounts contributed by the entity are charged to the appropriation or fund that is used to pay the employee for the selected pay period by performing the following procedures: (1) Review the accounting codes indicated on the supporting documentation. (2) Determine whether the accounting codes used to record the entity contribution are the same as those used for the related payroll expenditure and whether the codes and amounts agree to those recorded in the budgetary accounting records. | | |

Compliance**814 - Federal Employees Health Benefits Act of 1959 Compliance
Summary and Audit Program**

| Name of entity: _____ | | |
|--|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>4. (c) (3) Consider the procedures performed on the entity's budget controls over summarization of expenditure balances as discussed in FAM 395 F.</p> <p>If the auditor has assessed the entity's controls as <u>effective</u> in achieving the control objective of summarization of expenditure balances, further procedures are not necessary to obtain assurance as to whether the entity's contributions are paid out of the proper appropriation account.</p> <p>If the auditor has assessed the controls as <u>ineffective</u>, the auditor should perform procedures to determine whether the entity has properly summarized the expenditure balances as described in FAM 495 B. (5 USC 8906(f))</p> | | |
| <p>5. Determine whether the entity has effective controls over the proper summarization of the amounts withheld from employees for health insurance costs under this law and the entity contributions for remittance to Treasury. If the entity does not have effective controls for summarization, test the summarization of the totals that include the items selected for testing in step 1.</p> | | |

Compliance**814 - Federal Employees Health Benefits Act of 1959 Compliance
Summary and Audit Program**

| Name of entity: _____ | | |
|--|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| 6. Compare the total cost of health insurance on the entity's records (employee and employer portions) for the selected pay period to the deposit made to Treasury and the remittance sent to OPM and investigate any differences. The funds should be deposited in the Treasury to the credit of the Employees Health Benefits Fund. (5 USC 8909) | | |
| 7. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, OSI, to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance. For any noncompliance noted, the auditor should · identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing; · report the nature of any weakness in compliance controls and consider modification of the opinion on internal controls as appropriate. (See FAM 580.31-.57); · consider the implications of any instances of noncompliance on the financial statements; and · report instances of noncompliance, as appropriate. (See FAM 580.58-.66.) | | |
| 8. Document conclusions on compliance with each provision on Form 814 - Compliance Summary. | | |

Compliance**814 - Federal Employees Health Benefits Act of 1959 Compliance
Summary and Audit Program**

Note 1: For part-time career employees, the biweekly entity contribution shall be calculated on a prorata basis based on the ratio of number of scheduled part-time hours to the number of scheduled regular hours for an employee serving in a comparable position on a full-time basis. (5 USC 8906(b)(3)).

Note 2: If multipurpose testing is used for the compliance test and/or compliance control test and a substantive detail test of payroll expense, the sample items for the compliance test and/or compliance control test should be selected using the sampling method used for the substantive test. Otherwise, the items should be selected using attribute sampling, as discussed in FAM 460.02.

As with all sampling applications, the auditor should consider the completeness of the test population. For efficiency, the auditor should consider using records that were tested for validity and completeness (as well as the other financial statement assertions) in conjunction with substantive tests of payroll or other payroll related compliance tests.

Compliance

815 - FEDERAL EMPLOYEE'S GROUP LIFE INSURANCE ACT OF 1980 COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the Federal Employee's Group Life Insurance Act of 1980 are considered to be significant as indicated on Form 802 - General Compliance Checklist.

| Name of entity: _____ Audit period: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ Reviewed by: _____ | |
|---|--|---|--------------|--|---|
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 1. An employee desiring not to be insured shall give written notice to his employing office on OPM form SF 2817. (See note 1.) Type: Transaction-based Ref: 5 USC 8702(b) | 1. Entity must have written notification if an employee declines coverage. (See note 1.) | [Document the control techniques used by the entity to achieve the objective] | | [Indicate yes or no, include reference to supporting workpapers] | [Indicate yes or no, include reference to supporting workpapers] See Compliance Audit Program 815 Step 3 |

Compliance**815- Federal Employee's Group Life Insurance Act of 1980 Compliance Summary and Audit Program**

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|---|---|---------------------------|--------------|--------------------------------------|--|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 2. An employee eligible for insurance is entitled to be insured for an amount of group life insurance equal to (a) the employee's basic insurance amount (see note 2) multiplied by (b) the appropriate factor determined on the basis of the employee's age in accordance with the schedule in the law (see note 3). Type: Transaction-based Ref: 5 USC 8704(a)(1) and (2) | 2. The amount of basic insurance is properly calculated using the correct amount of basic pay. (See notes 2, 3, and 5.) | | | | See Compliance Audit Program 815 Step 4(a) |

Compliance**815- Federal Employee's Group Life Insurance Act of 1980 Compliance Summary and Audit Program**

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|---|---|---------------------------|--------------|--------------------------------------|--|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| <p>3. The amount withheld from the pay, annuity, or compensation of each employee subject to insurance deductions shall be at the rate, adjusted to the nearest half-cent, of 66% percent of the level cost as determined by OPM for each \$1,000 of the employee's basic insurance amount. (See note 6.)</p> <p>(See OPM publication SF 2817-A "A Description and Certification of Enrollment in the FEGLI Program" for the cost of the insurance.)</p> <p>Type: Transaction-based Ref: 5 USC 8707(c)</p> | <p>3. Withholdings are made for the employee's share of the cost of life insurance and are calculated at the proper amount. (See note 6.)</p> | | | | See Compliance Audit Program 815 Step 4(b) |

Compliance**815- Federal Employee's Group Life Insurance Act of 1980 Compliance Summary and Audit Program**

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|---|---|---------------------------|-----------|--------------------------------|--|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 4. For each period in which an employee is insured, a sum equal to one-half the amount that is withheld from the pay of the employee shall be contributed from the appropriation or fund which is used to pay the employee. Type: Transaction-based and Quantitative-based Ref: 5 USC 8708(a) | 4. Contributions are made for the agency's share of the cost of employee life insurance that are calculated properly, summarized properly, and charged to the proper appropriation account or fund. (See note 6.) | | | | See Compliance Audit Program 815 Steps 4(c) and 4(d) |
| 5. Amounts withheld from employees and the sum contributed by the entity for life insurance costs shall be deposited in the Treasury to the credit of the Employees' Life Insurance Fund. Type: Procedural-based and Quantitative-based Ref: 5 USC 8714 | 5. Withholdings from employees and entity contributions for life insurance costs are summarized properly and deposited in the Treasury to the credit of the Employees' Life Insurance Fund. | | | | See Compliance Audit Program 815 Steps 5 and 6 |

Compliance**815 - Federal Employees Group Life Insurance Act of 1980 Compliance
Summary and Audit Program**

Note: This form should be completed only if provisions of the Federal Employee's Group Life Insurance Act of 1980 are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

| Name of entity: _____ | | |
|--|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>1. Based on the preliminary assessment of compliance control effectiveness (as documented on Form 815 - Compliance Summary), select a sample of expense amounts for individuals' gross pay from the payroll disbursement records for the audit period.</p> <p>(The sample size will vary based on the expected effectiveness of compliance controls - 32 for effective controls or 59 for ineffective controls as discussed in FAM 460.02). See note 7 regarding sampling efficiencies and completeness of the sample population.</p> <p>Sample size _____</p> <p>Sample selection method _____</p> | | |
| <p>2. For each selection made in step 1, document the employee, the pay period selected, and the amount withheld for the pay period selected, if any, for the cost of life insurance.</p> | | |

Compliance**815 - Federal Employees Group Life Insurance Act of 1980 Compliance
Summary and Audit Program**

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| 3. For each item selected in step 1, obtain the employee's personnel file. a. If no amounts were withheld from the employee's pay for life insurance, review the personnel file and determine whether the employee declined coverage in writing. (5 USC 8702(b)) b. If amounts are withheld from the employee's pay for life insurance, perform step 4. (See note 1.) | | |
| 4. For each item selected in 1 for which amounts are withheld for life insurance, perform the following steps: (a) Calculate and document the amount of basic insurance in the workpapers for the selected pay period. Compare the amount of basic insurance to the amount shown on the employee's OPM form SF 2817 and investigate any differences. | | |

Compliance**815 - Federal Employees Group Life Insurance Act of 1980 Compliance
Summary and Audit Program**

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>4. (a) (continued)</p> <p>The cost of the insurance is based on the employee's basic insurance amount which is calculated as the greater of</p> <p>(1) the annual rate of basic pay payable to the employee, rounded to the next higher multiple of \$1,000 plus \$2,000, or</p> <p>(2) \$10,000</p> <p>(See note 5 for the limit on the maximum amount of basic insurance and the effect of changes in employee's annual rate of basic pay.)</p> | | |
| <p>4. (b) Calculate the amount of the employee's cost of life insurance and document in the workpapers. Compare to the actual amount withheld for the selected pay period and investigate any differences. (See note 6.)</p> <p>The amount withheld from the pay of each employee should be at the rate of 66% percent of the cost as determined by OPM for each \$1,000 of the employee's basic insurance amount, rounded to the nearest half-cent. (5 USC 8707(c)). See OPM publication SF 2817-A "A Description and Certification of Enrollment in the FEGLI Program" for cost of each \$1,000 of insurance for the audit period.</p> | | |

Compliance**815 - Federal Employees Group Life Insurance Act of 1980 Compliance
Summary and Audit Program**

| Name of entity: _____ | | |
|---|-----------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| 4. (c) For each employee in (b), divide the amount of the cost of insurance calculated in (b) in half. Compare to the amount contributed by the agency for its share of the cost of the employee's life insurance for the selected pay period and investigate any differences. (See note 6.) (5 USC 8708) | | |
| 4. (d) For each employee in (c), determine whether amounts contributed by the entity are charged to the appropriation or fund that is used to pay the employee for the selected pay period by performing the following procedures: (1) Review the accounting codes indicated on the supporting documentation. (2) Determine whether the accounting codes used to record the entity contribution are the same as those used for the related payroll expenditure and whether the codes and amounts agree to those recorded in the budgetary accounting records. | | |

Compliance**815 - Federal Employees Group Life Insurance Act of 1980 Compliance
Summary and Audit Program**

| Name of entity: _____ | | |
|---|-----------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>4. (d) (3) Consider the procedures performed on the entity's budget controls over summarization of expenditure balances as discussed in FAM 395 F.</p> <p>If the auditor has assessed the entity's controls as <u>effective</u> in achieving the control objective of summarization of expenditure balances, further procedures are not necessary to obtain assurance as to whether the entity's contributions are paid out of the proper appropriation account.</p> <p>If the auditor has assessed the controls as <u>ineffective</u>, the auditor should perform procedures to determine whether the entity has properly summarized the expenditure balances as described in FAM 495 B. (5 USC 8708)</p> | | |
| <p>4. (e) The auditor may elect, but is not required, to determine whether the proper amounts are being withheld from employee pay and remitted to Treasury for optional insurance, additional optional life insurance, and life insurance on family members because the employee pays the entire cost of this insurance. See OPM form SF 2817-A for information on the cost of this insurance. (5 USC 8714a, 8714b, 8714c)</p> | | |

Compliance**815 - Federal Employees Group Life Insurance Act of 1980 Compliance
Summary and Audit Program**

| Name of entity: _____ | | |
|--|-----------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| 5. Determine whether the entity has effective controls over the proper summarization of the amounts withheld from employees for health insurance costs under this law and the entity contributions for remittance to Treasury. If the entity does not have effective controls for summarization, test the summarization of the totals that include the items selected for testing in step 1. | | |
| 6. Compare the total cost of life insurance on the entity's records (employee and employer portions) for the selected pay period to the deposit made to Treasury and the remittance sent to OPM and investigate any differences. The funds should be deposited in the Treasury to the credit of the Employees' Life Insurance Fund. (5 USC 8714) | | |

Compliance**815 - Federal Employees Group Life Insurance Act of 1980 Compliance
Summary and Audit Program**

| Name of entity: _____ | | |
|---|-----------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>7. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, OSI, to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none">· identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing;· report the nature of any weakness in compliance controls and consider modification of the opinion on internal controls as appropriate. (See FAM 580.31-.57);· consider the implications of any instances of noncompliance on the financial statements; and· report instances of noncompliance, as appropriate. (See FAM 580.58-.66.) | | |
| 8. Document conclusions on compliance with each provision on Form 815 - Compliance Summary. | | |

Compliance**815 - Federal Employees Group Life Insurance Act of 1980 Compliance
Summary and Audit Program**

Note 1: Most employees are automatically insured as of their employment date. (5 USC 8702 (a)).

Note 2: Basic insurance is calculated as an amount equal to the greater of (1) the annual rate of basic pay payable to the employee, rounded to the next higher multiple of \$1,000 plus \$2,000 or (2) \$10,000. (5 USC 8701(c)).

Note 3: The additional insurance benefit obtained by multiplying the basic insurance by the appropriate factor does not affect the cost of the insurance; therefore, it is not necessary to test compliance with this portion of the provision.

Note 4: The following provisions will most likely not be significant to the entity's financial statements because the costs for the insurance described is paid entirely by the employee. The only effect on the entity's financial statements would be an equal asset and liability for amounts that have been withheld from employee pay but have not yet been deposited with Treasury. Testing for compliance with the following provisions is not required:

Optional insurance, additional optional life insurance, and life insurance on family members shall be offered to all eligible employees. The total cost of this insurance is withheld from employees who elect coverage. The cost of the coverage is provided by OPM on form SF 2817-A. (5 USC 8714a, 8714b, 8714c).

Note 5: The amount of insurance may not exceed the annual rate of basic pay payable for positions at Level II of the Executive Schedule under 5 USC 5313, rounded to the next higher multiple of \$1,000, plus \$2,000. For 1995, this amount is \$136,000. (5 USC 8701(c)).

Generally, a change in the rate of pay is deemed effective as of the first day of the pay period after the pay period in which the payroll change is approved. (5 USC 8704(d)).

Compliance**815 - Federal Employees Group Life Insurance Act of 1980 Compliance
Summary and Audit Program**

Note 6: If the agency fails to withhold the proper amount due to an agency error, the agency may waive collection from the employee, but must deposit an amount equal to the sum of the uncollected deductions and related agency contributions in the Employees' Life Insurance Fund. (5 USC 8707(d))

Note 7: If multipurpose testing is used for the compliance test and/or compliance control test and a substantive detail test of payroll expense, the sample items for the compliance test and/or compliance control test should be selected using the sampling method used for the substantive test. Otherwise, the items should be selected using attribute sampling, as discussed in FAM 460.02.

As with all sampling applications, the auditor should consider the completeness of the test population. For efficiency, the auditor should consider using records that were tested for validity and completeness (as well as the other financial statement assertions) in conjunction with substantive tests of payroll or other payroll related compliance tests.

Compliance

816 - FEDERAL EMPLOYEES' COMPENSATION ACT COMPLIANCE SUMMARY AND AUDIT PROGRAM

Note: This form should be completed only if provisions of the Federal Employees' Compensation Act are considered to be significant as indicated on Form 802 - General Compliance Checklist.

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|--|---|---|--------------|--|---|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 1. If the agency receives a statement showing the costs of amounts paid from the Employees' Compensation Fund (the Fund), the agency shall include a request for an appropriation to cover such amounts during the next fiscal year when submitting its budget request. (See note 1.) Type: Procedural-based Ref: 5 USC 8147 | 1. The entity's budget request includes a request for an appropriation for any amounts paid by the Fund on the entity's behalf for the prior fiscal year. | [Document the control techniques used by the entity to achieve the objective] | | [Indicate yes or no, include reference to supporting workpapers] | [Indicate yes or no, include reference to supporting workpapers] See Compliance Audit Program 816 Step 1 |

Compliance**816- Federal Employees' Compensation Act Compliance Summary and Audit Program**

| Name of entity: _____ | | <u>Compliance Summary</u> | | Prepared by: _____ | |
|---|--|---------------------------|--------------|--------------------------------------|---|
| Audit period: _____ | | | | Reviewed by: _____ | |
| Provision description | Objective | Control techniques | EDP (Y/N) | Effective compliance controls? | In compliance? |
| 2. Amounts appropriated pursuant to the request (described in 1 above) shall be credited to the Fund within 30 days after they are available. (See note 2 for entities that are not dependent on annual appropriations.) Type: Procedural-based Ref: 5 USC 8147 | 2. Appropriations received for the costs of amounts paid out of the Fund on behalf of the entity are credited to the Fund within 30 days after they are available. | | | | See Compliance Audit Program 816 Step 1 |

Compliance**816 - Federal Employees Compensation Act Compliance Summary and Audit Program**

Note: This form should be completed only if provisions of the Federal Employees' Compensation Act are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary for this law.

| Name of entity: _____ | | |
|---|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| Note: The provisions identified for testing are procedural-based provisions. As discussed in FAM 460.06, sufficient procedures usually are performed in conjunction with tests of compliance controls for these procedural-based provisions to conclude on the entity's compliance without performing additional procedures. Additional procedures should <u>not</u> be performed to obtain evidence regarding compliance with the provisions related to the following objectives unless sufficient evidence regarding compliance was not obtained during compliance control tests documented on Form 816 - Compliance Summary. | | |
| 1. Reference to conclusions on compliance controls on Form 816 - Compliance Summary and indicate whether any additional procedures are necessary. | | |

Compliance**816 - Federal Employees Compensation Act Compliance Summary and Audit Program**

| Name of entity: _____ | | |
|--|--------------|--------------------|
| Audit period: _____ | | Reviewed by: _____ |
| Audit Procedures | Performed by | W/P ref |
| <p>2. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, OSI to conclude as to whether noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none">· identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing;· report the nature of any weakness in compliance controls and consider modification of the opinion on internal controls as appropriate. (See FAM 580.31-.57);· consider the implications of any instances of noncompliance on the financial statements; and· report instances of noncompliance, as appropriate. (See FAM 580.58-.66.) | | |
| <p>3. Document conclusions on compliance with each provision on Form 816 - Compliance Summary.</p> | | |

Compliance**816 - Federal Employees Compensation Act Compliance Summary and Audit Program**

Note 1: A statement showing the total cost of benefits and other payments made from the Employees' Compensation Fund during the preceding July 1 through June 30 expense period on account of the injury or death of employees or individuals under the jurisdiction of the entity is required to be provided by the Secretary of Labor to the entity by August 15 of each year. (5 USC 8147)

Note 2: Entities not dependent on an annual appropriation shall make the required deposit to Treasury from funds under its control during the first 15 days of October after receipt of the statement showing the costs paid on the entity's behalf. (5 USC 8147)